Jamaica Deposit Insurance Corporation

Annual Report 2008 / 2009

JDIC JAMAICA DEPOSIT INSURANCE CORP.

10 Years of Protecting Depositors

June 30, 2009

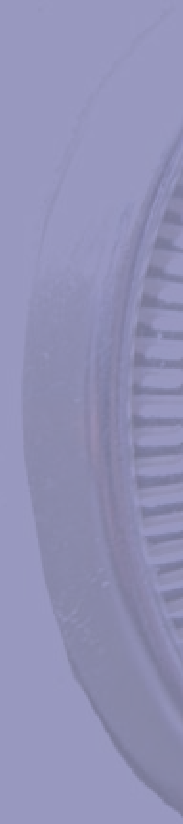
The Hon. Audley Shaw, M.P.
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4

Dear Minister:

In accordance with Section 11(1) of the Deposit Insurance Act, 1998, I hereby submit to you the Annual Report of the Jamaica Deposit Insurance Corporation for the Financial Year 2008/2009 and a copy of the Corporation's Accounts as at March 31, 2009, duly certified by its Auditors.

Yours sincerely,

R. N. A. Henriques, O.J., Q.C.
Chairman



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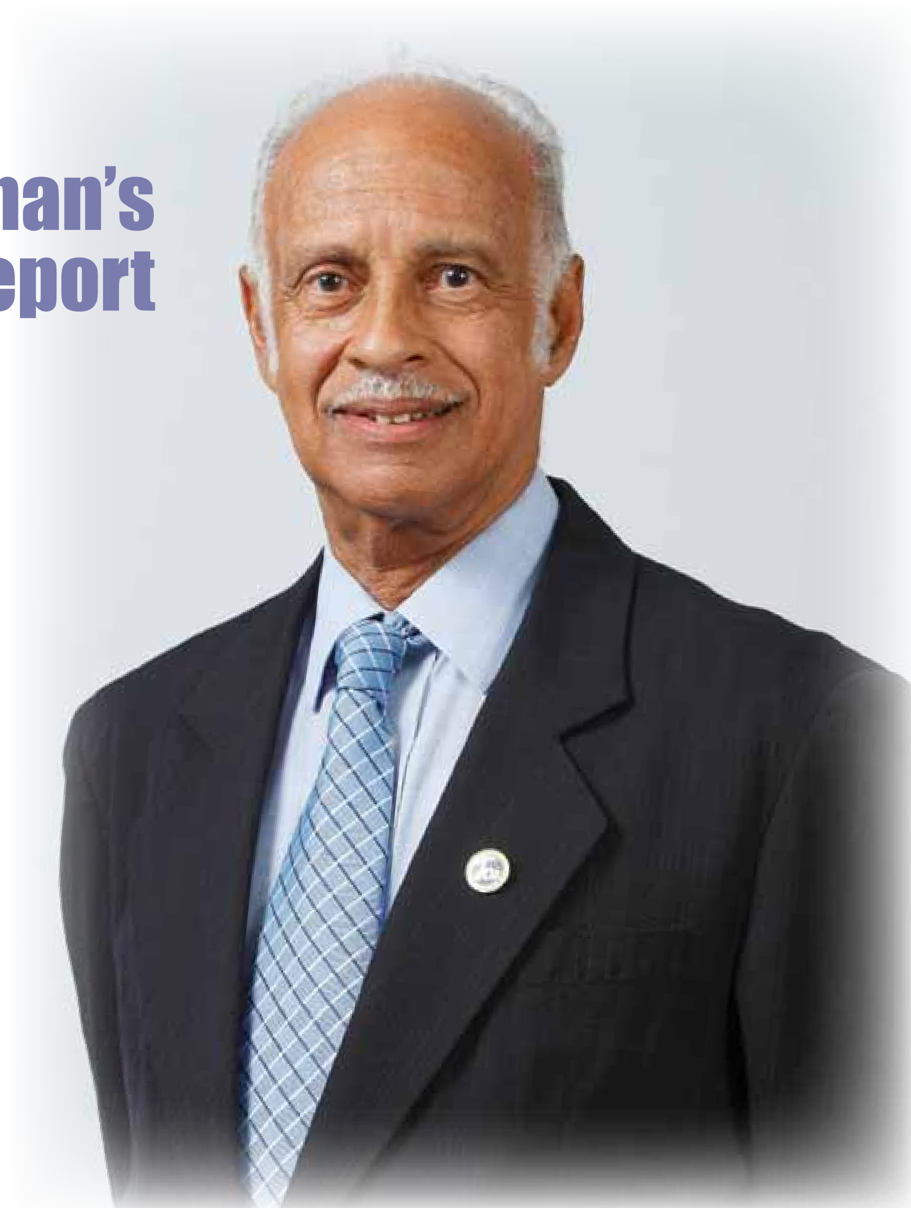


Ten years ago, as a direct response to the financial melt-down in the domestic economy, the Jamaica Deposit Insurance Corporation (JDIC) was established with the principal object of managing a scheme for the insurance of deposits against the risk of loss. Since inception the Corporation has sought to gradually improve upon its state of readiness to be able to effect its mandate in a seamless manner and fulfill its mission of contributing to stability and confidence in Jamaica's financial system.

In particular, during 2008/2009, as the global community grappled with issues surrounding the financial crisis that have brought down entities that were seen as giants in international financial markets and could well be classified as 'too big to fail', the importance of engendering confidence and the relevance of deposit insurance was underscored.

Jamaica's financial system though being affected by these adverse developments in the wider society, has entered this period of economic turmoil in a much stronger position relative to the 1990s, as a result of the strengthened regulatory framework that focuses on maintaining high standards and has effectively aided in improving the resilience of the system.

The milestones of the Corporation attest to its commitment to strong partnerships, proactive readiness and increasing public awareness, which together serve to add credibility to the soundness of the regulatory framework within which members of the Deposit Insurance Scheme (Policyholders) operate. The global crisis necessitated intensified surveillance of international financial markets and deposit insurance responses. Keen consideration was given to the occurrences and lessons learned from other deposit insurers that had to respond to the financial crisis. Where there were gaps in the workings of the financial system safety net partnership, the Corporation took due note and has targeted filling any similar gaps within our own financial system.

The Board of Directors strongly endorses the Corporation's continued commitment to increasing public awareness of the role of the financial system Safety Net Partners in engendering confidence and maintaining financial stability. In this regard the Corporation is pleased with the response of the depositors and general public in relation to emerging financial sector issues and the recognized greater awareness of and appreciation for Deposit Insurance in maintaining stability in the market.

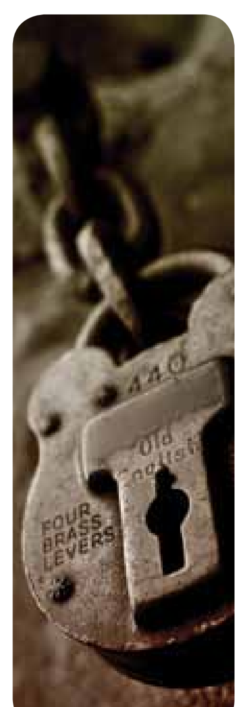
Additionally, the Board upheld the highest standard of corporate governance practices and effected oversight of Management initiated projects which targeted technological improvement, staff development, and increased exposure to and practice of the Core Principles of Deposit Insurance. On behalf of the Board I take this opportunity to express thanks to the Management and Staff for their continued commitment to achieving the corporate goals and objectives, particularly during these challenging times. Based on continued improvement in the Corporation's operational procedures, business continuity planning and its technological capability, the JDIC enters into the next financial year better prepared to deal with any challenges that may arise.

R. N. A. Henriques, O.J., Q.C.

CEO's Report on Operations

JDIC operations have now spanned 10 years. In domestic financial markets this period was characterized by robust financial system regulation and supervision. As a consequence domestic financial markets exhibited commensurate resilience in the review year even in the throes of the global financial crisis which started in the summer of 2007 and which has shaken to the core, the stability of the most powerful global financial systems and markets to such an extent some experts describe as being only paralleled to the financial crisis of the 1930's.

During the review period notwithstanding the resilience of local financial institutions, the lagged pass-through effects of the global economic downturn and the demise of local



unregistered financial organizations upon the Jamaica economy were of real concern to the future performance of Policyholders, and the Central Bank stepped in to take such action as was required to ensure the stability of the financial system as a whole. The Corporation's Policyholder risk monitoring processes were as a consequence also intensified during the period, however there was no need for any specific pre-emptive or remedial response from the JDIC as was required by Deposit Insurers in other jurisdictions.

The resilience of Policyholders during the review year was manifested in the absence of the failure of any institution and this once again allowed the JDIC the opportunity to review and update its proactive readiness strategies and undertake the required simulations and planning to ensure its payout readiness. The Deposit Insurance Fund (the Fund) grew by 30.8 percent, its fastest growth in three years, reaching $5.1 billion at March 2009. At this level the ratio of the Fund to the estimated insured deposits within the banking system (Fund Ratio) was 2.66 percent, an improvement over the 2 percent recorded at March 2008. The Corporation's target Fund Ratio was retained at 5 percent and continued to be consistent with international practice where the average international rate is 1.45 percent.

Management considered that a key and overarching lesson emerging from the global financial crisis was that decided communication among stakeholders must be considered a 'hard skill' both in non-crisis and crisis times. In some large financial markets lack of the required communication among key regulatory agencies was seen as the reason for failure to foresee impending problems and the significant deficiencies in the management of the crisis. The annual Payout Contingency Planning exercise carried out by Management therefore focused on this critical area of recrafting key communication matrices and messages between the Corporation and the other financial system Safety Net Partners and importantly also between itself, depositors and the public at large. During the year discussions were also held with the Bank of Jamaica towards beginning a review of the Crisis Intervention Matrix developed in 2002 to ensure that the management of financial institution problems can be carried out seamlessly and successfully. Before the end of the year JDIC was invited to participate in a joint Bank of Jamaica/ Toronto Centre/Caribbean Regional Technical Assistance Centre (CARTAC) financial institution crisis simulation and the Corporation saw this as an opportunity for identifying gaps to be addressed in future discussions.

CEO'S REPORT ON OPERATIONS

The Payout Contingency Planning exercise also focused on contingency funding and payout processes. There was a big boost to the Corporation's payout readiness during the year with the in-house development of an Interim Payout Software to facilitate speed and accuracy of computation and payment of depositors in the event of payout. These features are globally acceptable as critical to the satisfaction of depositor expectation, which engenders financial system confidence and stability.

JDIC's relationship with its colleagues in the International Association of Deposit Insurers (IADI), and more particularly its regional counterparts, was seen as important to the leveraging of expertise. Collaboration with regional counterparts related to the drafting of a Memorandum of Cooperation which has been agreed in principle, and is to be reviewed and signed off on in the next financial year; as well as on systems development and payout operations. Work also commenced on the staging of a region focused conference on bank insolvency.

Review of the organizational structure was also foremost under Management consideration where the on-going imperative for operational efficiency was expressly identified as a corporate strategy in the next planning period. Operating at core staffing continued to be the decided mode of operations and emphasis on training and development of staff in areas critical to the deposit insurance mandate was undertaken.

A review of this year has made poignant the issues to which priority must be given going forward and the Corporation will take on board all the lessons that have been learned in the interest of ensuring that it continues to deliver on its mandate in the interest of the public in a context of accountability and transparency.

This being the 10th anniversary edition of the Corporation's Annual Report I would like to place on record our thanks to JDIC Board members, past and present, for the diligent oversight and sound governance of the Corporation over the years. I would also like to thank past and present colleagues for their cooperation and efforts toward the achievement of the Corporation's goals. To our Safety Net Partners, Policyholders, IADI members and other stakeholders, a special thanks for continued support toward our efforts.

Antoinette McKain

Antoinette McKain

Corporate Information

BOARD OF DIRECTORS

R. N. A. Henriques, O.J., Q.C.	-	Chairman
Antoinette McKain	-	Chief Executive Officer
Bridgett Wilks	-	Nominee of the Financial Secretary
Rudolph Muir	-	Nominee of the Governor, Bank of Jamaica
K. Denise Henry-James		
Lisa Lewis		
A. Earl Melhado		

COMMITTEE OF MANAGEMENT

Antoinette McKain	-	Chief Executive Officer
Ronald Edwards	-	Director, Finance & Corporate Services
Hughlette Jackson	-	Director, Insurance & Risk Assessment
Everett Lewis	-	Director, Claims & Recoveries
Carole Martinez-Johnson	-	Information Technology Advisor
Paula Jacks	-	Manager, Human Resource & Administration
Marjorie McGrath	-	Manager, Membership & Corporate Communications

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Board of Directors

R. N. A. Henriques O.J., Q.C.
Chairman

Antoinette McKain
Chief Executive Officer

Rudolph Muir
Nominee of the Governor
Bank of Jamaica

Bridgett Wilks
Nominee of the
Financial Secretary

K. Denise Henry-James

A. Earl Melhado

Lisa Lewis

Committee of Management

Ronald Edwards
Director, Finance & Corporate Services

Marjorie McGrath
Manager, Membership & Corporate Communications

Antoinette McKain
Chief Executive Officer

Paula Jacks
Manager, Human Resource & Administration

(At back):
Carole Martinez-Johnson
Information Technology Advisor

10-Year Highlights: 1998-2008

- On August 31, 1998 the Corporation commenced operations with an authorized capital of One Million Dollars ($1M) subscribed by the Government of Jamaica. Member institutions (Policyholders), totalling 35 at the time, contributed $134.2 million in premiums for the year. To date there has been no Policyholder failure, although the numbers have contracted to 14 due mostly to mergers and acquisitions. At March 31, 2009 the Fund stood at $5.1 billion up from $44.3 million at March 1999.

- Since the inception of the Deposit Insurance Scheme the coverage limit has been increased twice, moving from the initial $200,000 to $300,000 in 2001 and then doubling to $600,000 in 2007. These increases are consistent with the Corporation's objective to ensure that adequate protection is provided for small depositors. A survey conducted in December 2008 indicated that at the present limit over 90 percent of the number of deposit accounts are fully covered by the Scheme.

- The Corporation sees as its primary focus its mandate to payout depositors in an efficient and timely manner in the event of the failure of one of its Policyholder institutions. During 2003/2004 the Corporation conducted its first simulated payout exercise to test its capacity and capability, inclusive of its information technology systems. The exercise provided invaluable training experience for the staff and since then simulation of specific payout modules have been conducted annually, as the Corporation continues to strengthen its readiness capability.

- The documentation of a comprehensive Policyholder risk assessment framework was completed at year end 2004/2005. The framework guides the monitoring and risk assessment function of the Corporation, which in turn informs Fund management and intervention readiness. The framework is structured to take account of information which is material to the operational and financial performance of Policyholders.

10-YEAR HIGHLIGHTS

- The Corporation is a member of the Financial Regulatory Council (FRC) established in 2002. The FRC is comprised of the Governor of the Bank of Jamaica; the Executive Director of the Financial Services Commission; the Financial Secretary and the Chief Executive Officer of the JDIC. The body facilitates information sharing, addressing issues of regulatory arbitrage and developing policies for the financial sector towards ensuring that prompt and appropriate action is taken for ensuring financial system safety and soundness.

- Deposit Insurers worldwide have come to realize that for a deposit insurance system to be effective and to have the desired impact of promoting confidence and contributing to financial system stability, public awareness and education is critical. Hence educating the public has been integral to the operations of the Corporation and from the very outset a public education and awareness programme was designed and launched to ensure that depositors and the public in general understand how the Scheme operates and the extent of the protection provided to depositors. Over the years the programme has been ongoing, and surveys carried out by the Corporation indicate a steady increase in the level of awareness.

- The Corporation in keeping with good corporate governance practices has developed a Board Governance Policy. The Policy refers to and adopts key principles of corporate governance of the Public Bodies Management and Accountability Act to which public sector agencies are subject; and the standards set by the Bank of Jamaica for the financial institutions it regulates (Policyholders) and the OECD corporate governance principles. The Policy addresses the following broad areas: Governance Process Policies which deal with the Board's oversight responsibilities; Linkages

Policies that define relationships with and responsibilities of the Chief Executive Officer (CEO); End Policies to guide the CEO in the day to day management of the Corporation, as the agent of the Board; and Internal Control Policies.

- At the end of the first year of operation the staff complement was eight (8); currently the number stands at twenty four (24). Emphasis is placed on ensuring that the complement is kept at core to ensure cost efficiencies, and as such staff have been afforded training relevant to effective JDIC operations from both local and overseas organizations; including exposure to the operations of other deposit insurers and participation in IADI training programmes. During the FY2008/2009 three staff members were recognized for having served the Corporation for ten years.

- A disaster preparedness and business continuity plan is integral to the successful operations of any organization. The Corporation has developed a comprehensive Disaster Preparedness and Business Continuity Manual, aspects of which have been simulated.

- The JDIC is a founding member of the International Association of Deposit Insurers (IADI). The body established in May 2002 seeks to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation. Members of IADI conduct research and produce guidance notes for the benefit of those countries seeking to improve or establish a deposit insurance system. In addition, IADI facilitates the sharing of knowledge and expertise between Deposit Insurers through participation in international conferences and other fora. The CEO is a member of IADI's Executive Council, the Membership and Communication Committee and Chair of the Caribbean Regional and Legal Committees.

Performance Scorecard - Summary

BUSINESS STRATEGIES KEY INITIATIVES 2008/2009	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
Proactive Readiness		
Establish Framework for the admission of Credit Unions into the Deposit Insurance Scheme	Framework 90% complete	Finalization of framework in FY2009/2010
Annual review of the Policy of Deposit Insurance: • Effect change in Annual Policy Renewal date to April 1.	Change effected.	
Payout Training & Modular Simulations: • Media Communications • Cheque Clearing, Suspense and Correspondent Bank Accounts • Ledger Balancing and Clearing Accounts	Media Communications, Cheque Clearing, Suspense and Correspondent Bank Accounts Modules completed.	Simulation of Ledger Balancing and Clearing Accounts module to be conducted.
Complete 1st draft of Payment Deduction Guidelines per Section 5 (2) (d) of the Deposit Insurance Act.	1st draft completed	Contact to be made with Policyholders during Q1 FY2009/2010 to obtain information regarding their operating procedures relating to payment deductions. This will inform the completion of the Guidelines.
Deposit Base Transfer Project: Completion of Deposit Base Transfer Project documentation; circulate to Policyholders. • Obtain commitment of a Policyholder for the first Deposit Base Transfer Simulation	All required documentation was dispatched to Policyholders during the review period. Policyholder commitment received.	Discussion with Policyholder re participation in Simulation exercise to continue during FY2009/2010. Participation subject to finalizing/ agreeing to the terms and conditions of the exercise.
Develop Guidelines for Policyholder record keeping and communicate requirements to Policyholders.	1st draft of Guidelines completed.	Draft Guidelines to be completed by end of Q2 FY2009/2010 and dispatched to all Policyholders for consultation.
Complete Annual Contingency Planning Exercise	Exercise completed.	
Identify two alternative offsite work locations specific to Payout activity and present Proposal	Sites identified.	Proposal being finalized for sign-off Q2 FY2009/2010
Commence research and documentation in legislative enactments relating to: **a.** definition of deposits **b.** issue of withholding tax and **c.** provisions of the Loan Act and impact on the JDIC's mandate.	Research conducted and legal opinion documented.	
ICT Development		
Implementation of Interim Payout Application System and Strategy which will support and assimilate all current and projected data from Policyholders	Interim Payout Application developed.	User Acceptance Testing to be completed by Q2 FY2009/2010

BUSINESS STRATEGIES KEY INITIATIVES 2008/2009	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
Implement and test ICT Disaster Recovery and Business Continuity Policy and Plan	ICT Sub-Plan completed.	ICT Sub-Plan will be incorporated into full Plan
Upgrade ICT infrastructure which will support business needs of the Corporation.	Completed. Email and communications enhanced. Active directories implemented. Centralized filing implemented and Server rationalization completed.	
Implement ICT components of a Payout Command Matrix and Plan to support Payout Strategies. This is to include: Communication call centre alternatives, website updates and queries and payout centre.	Completed. ICT components of Command Matrix and Plan documented.	
Review functional requirements; develop RFP to identify vendors for Accounting and Treasury Management Software.	Vendors identified. For Accounting System functional specifications signed off on and draft RFP prepared for submission to Management Committee.	RFP to be dispatched to vendors.
Sound Governance		
Commence physical restructuring of JDIC building - roof and balcony	Approval for the construction of additional office accommodation on the 2nd floor and roof received from the Ministry of Finance and the Public Service and the Project Team engaged. The design work, the obtaining of approvals and preparation of documentation up to the Tender stage commenced.	Start date to be reviewed in June 2009 given prioritization changes due to macroeconomic environment.
Finalize Disaster Recovery and Business Continuity Plan	Consultant Deloitte Touche Tohmatsu finalizing Plan.	Completion set for FY2009/2010.
Complete revision of employee policies and deliver Employee Policy Manual	Policies and Procedures Manual updated to incorporate revised policies and made available to all employees.	
Public Education and Awareness		
Develop and Execute Public Awareness Campaign	All elements of the Public Education and Awareness Programme were executed as scheduled. These included: • Phased advertising campaign • Webpage design competition for secondary schools • Presentations to corporate and community groups • Participation in several seminars/expos • Training seminars for Policyholders	
Commence planning of conference scheduled for March 24-26, 2010 – *Bank Insolvency in the Caribbean: Law and Best Practice*	Planning commenced and activities on schedule.	Continue all activities to culminate in the staging of the Conference to be held March 2010.

Review of Operations

THE OPERATING ENVIRONMENT

The 2008/2009 financial year was particularly challenging for Deposit Insurers (DIs), as the problems being experienced in world financial markets since the summer of 2007 brought increased attention to deposit insurance responses in helping to restore and maintain financial system stability as was necessary. In Jamaica, the Corporation's role as a participant in the financial system Safety Net was also placed in the public spotlight. Many Jamaicans, both resident and overseas, sought information on and reassurance in respect of the deposit insurance scheme and the JDIC's ability to compensate depositors where there might be a failure of a JDIC Policyholder. To ensure its 'state of readiness' the Corporation intensified its monitoring of the developments in the domestic and international financial markets and economies, and reviewed and enhanced its operational logistics towards this end.

The Corporation's performance for the financial year was against the background of economic downturn and dampened investor confidence in both the domestic and the international markets. Tight credit conditions which precipitated the financial crisis in the international financial markets resulted in increased volatility in the domestic foreign exchange market, in response to which the Central Bank implemented a number of policy actions. This impacted Policyholders' operations, particularly in regard to the composition of their asset base[1]. Monetary policy actions undertaken resulted in a higher interest rate environment and lower levels of Net International Reserves. The higher interest rate environment, taken together with the significantly higher than budgeted fiscal deficit out-turn, worsening current account positions, soaring public debt levels, and a fall-off in the country's major foreign exchange inflows resulted in a lowering of the country's sovereign credit rating by international rating agencies. Table 1 below summarises movements in respect of key macroeconomic variables.

Table 1: Performance of Key Macroeconomic Indicators

INDICATORS	2006/2007	2007/2008 (r)	2008/2009 (p)
GDP growth (%)	3.1	0.7	-1.3
Inflation (%)	8.1	19.8	12.4
NIR (US$ Million)	2,329.4	2,083.4	1,628.6
Debt (% of GDP)	132.4	108.2	108.9
Fiscal Balance (% of GDP)	-5.3	-4.0	-6.8
Primary Surplus (% of GDP)	8.8	8.1	4.5
180-day CD Rate (%)	12.00	14.20	21.50
182-day TBill Rate (%)	11.65	14.22	21.77
Exchange Rate (J$/US$)	67.80	71.09	88.82

(p) provisional data (r) revised

[1] Between December 2008 and February 2009, the Central Bank increased the cash reserve ratio from 9 percent to 14 percent, and the liquid assets ratio from 23 percent to 28 percent as part of its effort to absorb excess Jamaican dollar liquidity in the system. The result was an increase in the banking sector's composition of cash and bank resources.

Policyholder Environment

Notwithstanding overall declining economic conditions, primarily influenced by widespread decline in the productive sectors, the Financial & Insurance Services Sector reflected real value added of under 1.0 percent for fiscal year 2008/2009. The Sector's relative positive out-turn was underpinned by sound regulations, intensified monitoring and market intervention (as appropriate) by Government and the financial system Safety Net Partners. However, in the context of rising levels of unemployment and a high interest rate environment, Policyholders reported increasing levels of past-due loans, a trend expected to persist at least in the short-term. Nonetheless, given the strengthened regulatory and supervisory environment which evolved from a need to prevent a repeat of the financial sector crisis the country had undergone in the mid-1990s, credit exposures were limited and Policyholders' accumulated capital and provisioning cushions remained generally adequate relative to international standards. In light of the foregoing, the Corporation remained committed to intensified monitoring of Policyholders.

The Regulatory Environment

Collaboration between the Corporation and the regulatory agencies continued through the Financial Regulatory Council. To remove inconsistencies in the legislation governing deposit-taking financial institutions, the Bank of Jamaica continued its review of the Banking Act, Financial Institutions Act and the Bank of Jamaica (Building Societies) Regulations; with the intention being to consolidate the three pieces of legislation into an 'omnibus statute'. The development of the legislative regime to facilitate the inclusion of credit unions into the Deposit Insurance Scheme remained an ongoing exercise, with the Central Bank circulating the latest draft Bank of Jamaica (Credit Unions) Regulations, 2007.

MONITORING AND POLICYHOLDER RISK ASSESSMENT

The monitoring and Policyholder risk assessment process is part of the Corporation's early warning mechanism which informs the likely exposure of the Deposit Insurance Fund and supports resolution readiness. Important to the process was the monitoring of member institutions' compliance with the terms of the Deposit Insurance Policy, as well as monitoring trends and developments in the sector which served to inform the Corporation of risks, realised or emerging, within the Policyholders' environment.

As the global financial crisis deepened there was heightened surveillance of financial markets and economies. The tracking of international developments for impact on the domestic economy and the implications on Policyholder performance was a key undertaking. The Corporation's Policyholder Risk Assessment Framework was well supported by information flowing from the Bank of Jamaica, in addition to that from Policyholders.

Additionally, the Corporation commenced dialogue with the Bank of Jamaica with a view to enhancing the Crisis Intervention Matrix, developed among the Safety Net Partners after the 1990's financial crisis to ensure adequate communication, seamless monitoring and intervention.

Although regulations governing the licensing and supervision of credit unions by the Bank of Jamaica were still pending, the Corporation focused on and advanced its admissions framework and readiness, given the expectation for compulsory membership of the group to the Deposit Insurance Scheme. In conjunction with the Jamaica Co-operative Credit Union League Limited (JCCUL), stakeholder dialogue was undertaken to promote greater understanding and information sharing between the Corporation and credit unions.

Insurable Deposits

The annual survey of the distribution of insurable deposits at December 31, 2008 revealed that insurable deposits in the banking system increased by 10.3 percent to $441.7 billion compared to the previous year's $400.5 billion. Insurable deposits held in foreign currency accounts accounted for 42.9 percent, which was marginally higher than the 41.2 percent share recorded at December 2007 and continued to underscore the relevance of the JDIC's policy of covering foreign currency deposit accounts. Despite the challenging economic environment, the average insurable deposit account balance in each sub-sector increased, with the overall average growing by 7.0 percent to $113,056 at the end of 2008.

The ratio of insurable deposits held in the banking system (refer Table 2) in the order of Commercial

Table 2: Distribution of Deposits at the Current Coverage Limit of $600,000 as at December 31, 2008

Institutions	Total Insurable Deposits ($'000)	Total % of Insurable Deposits	Estimated Insured Deposits ($'000)	Total % of Insured Deposits	Total No. of Accounts Insurable	No. of Accounts Fully Insured	% of Accounts Fully Insured
Commercial Banks	333,936,782	75.6	140,995,523	71.7	2,180,339	2,116,156	97.06
Building Societies	93,295,865	21.1	54,344,736	27.6	1,719,119	1,688,745	98.23
FIA Licensees	14,454,949	3.3	1,449,338	0.7	7,349	5,836	79.41
Grand Total	**441,687,596**	**100.0**	**196,789,597**	**100.00**	**3,906,807**	**3,810,737**	**97.54**

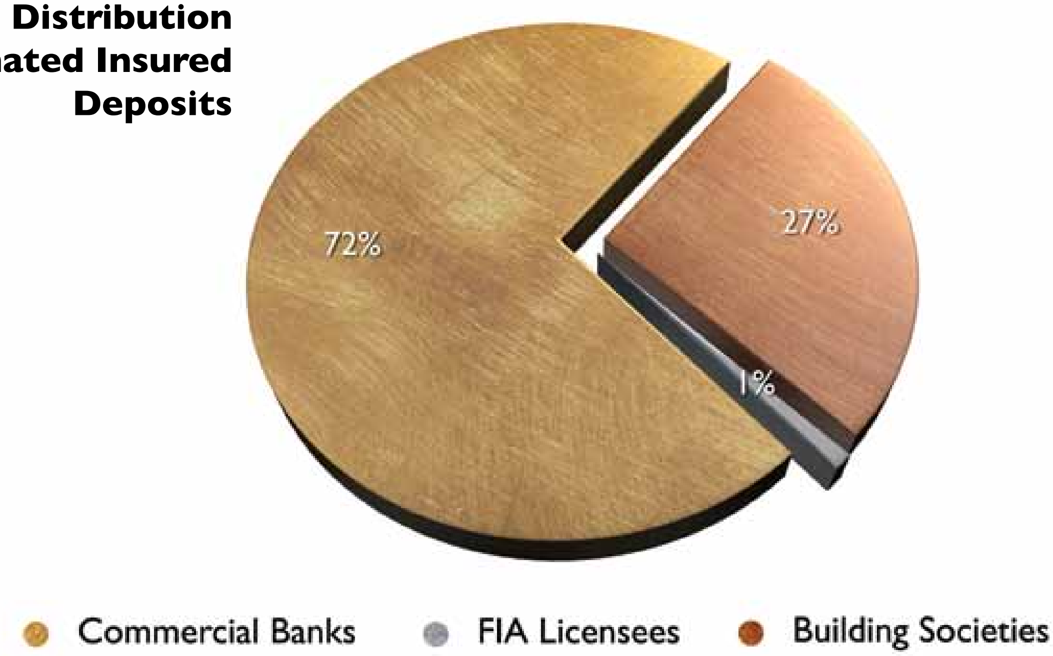
Banks, Merchant Banks, and Building Societies was 76:21:3 respectively, moving from 75:21:4. The Commercial Bank sub-sector, which has always accounted for the major share of insurable deposits reflected this further increase on account of the addition of PanCaribbeanBank[2] .

As the number of insurable deposit accounts held in member institutions increased by 3.2 percent to 3.91 million, the share of accounts fully covered at the $600,000 coverage limit (97.54 percent) remained at a high level[3] (refer Table 2). The Building Societies sub-sector, which reports the lowest average deposit balance, had the largest share of full coverage at 98.23 percent.

As the average balances in the insurable deposit accounts increased, the estimated share of insured deposits declined. Estimated insured deposits in the system accounted for $196.8 billion or 44.6 percent of the total insurable deposits which was lower than the 48.2 percent recorded in 2007. Commensurate with accounting for the largest share of insurable deposits in the system, Commercial Banks accounted for the 72 percent of estimated insured deposits (refer Table 3).

The 2008 survey also captured details on the types of insurable deposits held by member institutions and indications were that traditional deposit types such as savings; time deposits; demand deposits; and withdrawable shares in a building society accounted for 97.9 percent of total insurable deposits in the system. The remainder of insurable deposits mostly related to managers' cheques, drafts and prepaid letters of credit.

Table 3: Distribution of Estimated Insured Deposits



[2] PanCaribbean Merchant Bank Limited surrendered its license under the FIA and became licensed as a commercial bank on June 23, 2008 changing its name to PanCaribbeanBank Limited.

[3] As a rule of thumb, covering in full over 90% of the number of accounts is considered a high level of coverage.

The Insurance & Risk Assessment and Communications Team (l-r): Nicole Brown-Crooks, Dionne Hemmings, Toni-Ann Fraser

INTERVENTION READINESS

In response to the global financial crisis intervention readiness activities were skewed towards shorter term goals that would assure operational readiness in the event any Policyholder was adversely affected.

Payout Contingency Planning

The Corporation undertook its annual Payout Contingency Planning exercise with the main objective being: a holistic review of critical tasks to be undertaken and required timing logistics in the areas of crisis communication, contingency funding, payout process management and ensuring that all information and communication technology systems were adequate. The exercise was successfully staged and served to promote improved techniques/methodologies to handle the failure of a Policyholder.

Payout Training and Simulation

Ongoing training and simulation activities continue to be valuable tools for ensuring that the Corporation attains and remains at an optimum level of preparedness to undertake the reimbursement of depositors. During the year the Corporation conducted two training and simulation exercises: these were, Media Communications in a payout and Balancing & Reconciliation (of the accounts of a financial institution), with a focus on cheque clearing and correspondent bank accounts. Both exercises were successfully conducted and provided the Corporation with further insight into what may be expected during a payout.

Business Process Documentation

The effective discharge of the functions of the Corporation during the intervention of a failed institution is to a large extent dependent on the payout teams and the training and business process

Team members of the Claims & Recoveries Department (l-r): Paul Chin, Eloise Dunkley, Tracey Tucker

documentation available to team members. The Corporation continued its review and development of business process documentation to ensure they remained relevant to the changes and emerging trends in its operating environment.

One important area of documentation focused on during the year was Policyholders' record-keeping requirements. The Corporation received information from all Policyholders relating to the record-keeping structure of their customer and account data and deposit products. The information was used to assist in detailing the information needs of the Corporation prior to and during an intervention. The mitigation of the risk of inadequate information being held in the records of Policyholders can, in large measure, be effected by the implementation of guidelines relating to Policyholders' responsibilities to maintain records and conduct their affairs in a manner which will be compatible with the Corporation performing its functions. This initiative will continue in FY 2009/2010 in collaboration with all Policyholders and other stakeholders.

Insured Deposit Portfolio Transfer Simulation

With due regard to operational efficiency which ensures the speed, accuracy and security of the distribution of deposit insurance payments to the depositors of a failed institution, experiences of other deposit insurers have shown that these objectives are achieved by payouts being made through a Policyholder branch network. This necessitates the transfer of the insured deposit portfolio containing depositors' payment information to the paying institution (the transferee).

The computation of the insured deposit portfolio by the Corporation, and the transfer of this information to the transferee will be done electronically.

In response to the Corporation's initiative to prepare both itself and potential transferees, several Policyholders were invited to and indicated an interest in participating in the insured deposit portfolio transfer simulation project being spearheaded by the Corporation. A firm commitment was received from one Policyholder to participate in the simulation now scheduled to commence in the upcoming year. Other Policyholders will participate in subsequent simulations as the processes are further refined with a view of creating a pool of potential transferees.

PUBLIC EDUCATION & AWARENESS

The Corporation maintained its presence in the public domain through direct and indirect communication facilitated by its ongoing public education programme. Given the global financial crisis the programme's relevance was underscored as the public was particularly keen on obtaining deposit insurance information. This was achieved through sustained advertising in the media on the benefits of deposit insurance; increased participation in community expositions; the hosting of Policyholders' training seminars; presentations to companies and civic groups; and continued cooperation with other Safety Net Partners.

The Corporation's 10-year milestone was recognised with a number of activities, including the staging of a secondary schools' webpage design competition. The Corporation collaborated with the Jamaica Library Service to launch the competition which was attended by several high schools. Entries were received from across the island and the top three winners were identified and awarded prizes.

Work began for the staging of a conference on bank insolvency during the last quarter of FY2009/2010. There will be deliverables by regional and international experts, practitioners and

The top three winners of the Secondary Schools' Webpage Design Competition 2008/2009 (l-r): Luechen Christopher of St. Elizabeth Technical High, champion of the competition with teacher Faith Martin; Esther Tyson principal of the Ardenne High along with the 2nd place winner Danielle Meggoe and her teacher Esmin Davis-Spence; and 3rd place winner Shawna-Kay Johnson of Holy Childhood High flanked by her IT teacher Hayne Cooper and principal Sister Maxine McIntosh, SMS.

Members of the Finance & Corporate Services Department (l-r): Pamella Lawrence, Donna-Marie Bennett, Delgado Williamson, Carleen Delapenha, Randia Scott, Michael Allen

academics. Lessons learnt and remedial actions taken in key financial markets, arising out of the global financial crisis are expected to be some of the issues addressed at this conference.

OPERATIONAL RESOURCES

Human Resource Management

During the year under review, the Corporation commenced the implementation of its new three-year strategic plan. The plan requires that the Corporation now hones the expertise acquired over its 10 year life. It was taken into account that to achieve this would necessitate some changes in operations, outlook and culture.

To this end several strategic initiatives were identified, including:

- Review of the operational structure of the Corporation with emphasis on securing greater efficiencies.
- The roll out of a new performance appraisal instrument aimed at aligning employees' work goals with the business strategies to effectively assess and ensure corporate performance.
- Continued emphasis on staff development and training, locally and overseas. Courses attended by staff included: Caribbean Information & Credit Rating Services Limited (CariCRIS) – Intensive Credit Risk Programme; the Toronto Centre – Leadership in Financial Supervision; and IADI's Resolution Management, Principles and Best Practices.
- Development of a communication policy to encourage open and honest communication and teamwork among staff.

Information and Communication Technology

Infrastructural upgrade of the Information & Communication Technology (ICT) network systems was successfully completed and this resulted in

The ICT Team at work (l-r): Lloyd Stewart, Lucius Bullens

the implementation of improved system security, internet remote access, increasing internet bandwidth, email rationalization, application server upgrade and workstation upgrade. To mitigate the risk of server and technology obsolescence, a full assessment was carried out of all business applications currently used by the Corporation and a project plan developed to facilitate their upgrade.

In keeping with technological advances, a new Payout Application was developed which effectively captures all the required system functionalities for a payout. User acceptance testing was commenced and will be completed and implemented in FY2009/2010. The year also saw the Corporation leveraging relationships with regional counterparts with a view to rationalizing and standardizing payout functions and to lay the groundwork for collaboration on future intervention activities in the respective jurisdictions.

To improve the efficiency of day to day operations, the Corporation launched the ICT Support Desk to handle all IT related problems and incidents. This was aimed at empowering end users to perform troubleshooting problems on their own while enabling the Unit to quickly provide assistance and to address more critical issues. The ICT Business Recovery policies and procedures were upgraded and implementation commenced. Testing and implementation of offsite communication links are to be carried out during the next financial year.

CORPORATE GOVERNANCE

The Corporation remained committed to maintaining a sound governance framework and during the year continued to strictly adhere to its Board Governance Policies as well as its statutory responsibilities under legislation, namely: The Deposit Insurance Act; The Public Bodies Management and Accountability Act;

The CEO's Office and the Legal Department (l-r): Lori-Lee Hall, Hannah Dixon, Donna-Marie McDonald

The Contractor-General Act; The Financial Administration and Audit Act; The Corruption Prevention Act; The Access to Information Act; and all regulations and guidelines issued under these laws.

The composition of the Board remained at the statutorily prescribed maximum number of seven (7) members consisting of the Chairman, three *ex-officio* Directors (namely, the Chief Executive Officer of the Corporation, the Governor of the Bank of Jamaica, and the Financial Secretary) and three other Directors. There was no change in Board personnel. During the period under review the Board of Directors held seven (7) meetings with satisfactory attendance.

The standing committees of the Board, namely the Investment Committee and the Audit Committee continued to carry out their mandates. The Audit Committee held quarterly meetings during the year. Management continued to carry out Treasury Management functions on a day to day basis and quarterly Investment Reports were submitted to the Board.

Financial Operations and Fund Management

Total revenue for the period was $1.4 billion, an increase of 43 percent over the previous year.

This increase in revenue was due to a 17 percent increase in the deposit insurance premiums received from Policyholders; a general increase in interest rates resulting in a 45 percent increase in interest income; and net foreign exchange gains given a 24 percent appreciation in the US dollar *vis-à-vis* the Jamaican dollar during the year.

Total assets of $5.5 billion were recorded at March 31, 2009 representing an increase of 29.8 percent over the previous year. This was due mainly to a 27.5 percent increase in investments.

Table 4: Summary of the Statement of Operations

STATEMENT OF OPERATIONS	2008/2009 ACTUAL $M	2008/2009 BUDGET $M	2007/2008 ACTUAL $M
Insurance Premiums	553.4	509.9	484.1
Interest Earned & Other Income	826.6	569.3	480.8
Total Revenue	1,380.0	1,079.2	964.9
Administrative Expenses	(171.3)	241.6	(149.0)
Surplus from Operations	1,208.7	837.6	815.9

Table 5: Summary of Expenses

EXPENSES	2008/2009 %	2007/2008 %
Staff Costs	69	66
Public Education & Advertising	10	13
Professional Fees	5	6
Depreciation	2	3
Other	14	12
TOTAL	100	100

Total administrative expenses for FY2008/2009 was 171.3 million, and when compared to budgeted expenses of $241.6 million the difference was due to a reduction in total staff costs and a containment of other costs based on decided measures implemented by Management. With better than expected Revenue, the Expense Control ratio of 12.4 per cent was the lowest achieved by the Corporation since its inception. Administrative expenses increased by 15 per cent over the previous year primarily due to salary adjustments consistent with the Memorandum of Understanding III, which was signed between the Government of Jamaica and the Jamaica Confederation of Trade Unions.

Table 6: Summary of Key Performance Ratios

KEY PERFORMANCE RATIOS	DEFINITION	2008/2009 ACTUAL %	2008/2009 BUDGET %	2007/2008 ACTUAL %
Expense Control	Administrative Expenses/ Total Revenue	12.4	15.3	15.4
Net Surplus	Surplus from Operations/ Total Revenue	87.6	84.6	84.6
Return on Assets	Surplus from Operations/ Total Assets	21.9	19.2	19.2
Asset Management	Total Revenue/Total Assets	25.0	22.7	22.7

Ratio analysis showed improvement in all the key performance ratios when compared against budget and the previous year's out-turn. These improvements were achieved based on the increases in revenue and the control maintained over expenses.

THE DEPOSIT INSURANCE FUND

As stipulated by the Act, the Fund must be invested in Government of Jamaica securities or in such other foreign securities as may from time to time be approved by the Board of Directors. At March 31, 2009 the Deposit Insurance Fund had a balance of $5.1 billion, an increase of 30 percent over the previous year ($3.9 billion). The current Fund balance represents 2.66 percent of estimated insured deposits, an improvement over the Fund ratio of 2.0 percent at March 2008. The Corporation targets a Fund ratio of 5 percent relative to target ratios internationally which average 1.45 percent. Table 7 shows the five-year growth of the Fund and its components.

Table 7: Five-Year Fund Growth

YEAR	2004/2005 $M	2005/2006 $M	2006/2007 $M	2007/2008 $M	2008/2009 $M
Premium Income	339.6	388.7	437.7	484.1	553.4
Net Investment Income	205.1	234.8	252.1	331.8	655.2
Previous Year Deposit Insurance Fund Balance	1,246.9	1,791.6	2,415.1	3,104.9	3,920.8
Deposit Insurance Fund	1,791.6	2,415.1	3,104.9	3,920.8	5,129.4

The Corporation's investment activities expose it to a variety of financial risks, however these are monitored to achieve the appropriate relationship between the risks and any effect they may have on the financial performance of the Corporation. This monitoring is undertaken by the Treasury Management Committee, with policy oversight by the Investment Committee of the Board.

Table 8: Investment Portfolio Distribution

CATEGORY OF INSTRUMENT	DISTRIBUTION %
Treasury Bills	1
Local Registered Stocks	18
Debentures	61
US$ Indexed Bonds/US$ Denominated Instruments	16
Interest Receivable	4
TOTAL	100

The Treasury Management Committee determines the best available investment instruments for the agreed profile of the investment portfolio. The main aims of portfolio management, as guided by the Investment Policy, is the preservation of capital with due regard to the maximization of the Fund and the appropriate liquidity management. The liquidity profile is aligned to the levels recommended in the 2008 Fund evaluation, with 56 percent of the portfolio having a maturity up to two years. Table 8 shows the investment portfolio distribution at March 2009. At year end the average yield on investments was 16.99 percent compared with 13.8 percent for the previous year.

Table 9: Summary Financial Projections to March 31, 2010

PROFIT AND LOSS ACCOUNT	YEAR ENDING MARCH 31, 2010 $'000
Total Income	1,396,162
Total Expenses	(255,020)
Surplus from Operations	1,141,142
Surplus from Operations – Balance at Beginning of Year	4,945,928
Deposit Insurance Fund – Balance at End of Year	6,087,070

CASH AND BANK	YEAR ENDING MARCH 31, 2010 $'000
Total Inflow	3,721,250
Total Outflow before Investments	(368,741)
Investments	3,353,498
Net Inflow/ (Outflow)	(989)
Balance – Balance at Beginning of Year	4,859
Balance – Balance at End of Year	3,870

BALANCE SHEET	MARCH 31, 2010 $'000
Fixed Assets	92,748
Investments	6,070,016
Current Assets	364,353
Total Assets	6,527,117
Current Liabilities	23,144
Unearned Premium Income	413,060
Capital	1,000
Capital Reserves	15,005
Fair Value Reserves	(12,162)
Deposit Insurance Fund	6,087,070
Total Liabilities	6,527,117

Policyholder Profile and Performance

For the review period, membership of the deposit insurance scheme remained at fourteen (14). However, the market composition shifted with PanCaribbean Merchant Bank Limited exiting the merchant bank sub-sector and commencing operations as a commercial bank under the name PanCaribbeanBank Limited effective June 23, 2008. Consequently, at review date there were seven (7) commercial banks and three (3) licensees under the Financial Institutions Act (FIA), while the building societies remained unchanged at four (4).

Given the impact of the worsening global developments on the Policyholders' environment for the twelve month review period ended March 31, 2009, the banking sector remained profitable, but with lower levels of pre-tax profit (by 15.8 percent) compared with the similar period in 2008. During the year, profitability was supported by overall improvement in net interest income (NII) which resulted primarily from expansion in holdings of loans & advances and cash placements with other financial institutions.

The portion of sub-sector pre-tax profit comprising the banking sector's total was reallocated upwards in respect of the commercial bank sub-sector, to 90.7 percent from 71.3 percent in 2008 while the building society sub-sector and the FIA licensees sub-sector accounted for a lesser share of the banking sector's total, 6.6 percent and 2.7 percent respectively as against 25.8 percent and 2.9 percent of total for March 2008.

Consequent on loan portfolio expansion coupled with increases in market rates during the year, interest income surged by 22.8 percent relative to 15.2 percent growth in the previous year. On the other hand, the banking sector's cost of doing business reflected relatively stable growth for the comparable periods 2008 (18 percent) and 2009 (17 percent). Improvements were estimated in respect of the banking sector's efficiency ratio [overhead expenses/ (NII + Other Revenues)] relative to the comparable period in 2008, which, nonetheless, remained outside of the international benchmark ceiling of 60 percent.

The banking sector's business continued to emphasize loan portfolio growth which persisted at a robust pace (28.2 percent versus 21.3 percent in 2008). At the end of the review period, the banking sector's total loan portfolio of $349 billion accounted for 45.9 percent of total assets as against 40.7 percent in 2008. Amidst the economic downturn and the negative impact on the productive sector including high levels of unemployment, the portfolio evidenced elevated levels of past due loans. Notwithstanding, the credit quality ratios though weakened remained within acceptable international standards supported by prudent levels of provisioning and capital cushions.

As the uncertainties about the severity of the international financial crisis and the economic downturn deepened, the banking sector also increased the balance sheet's composition of cash and bank resources by over 15.1 percent. This shift in the balance sheet composition also served to meet incremental increases in statutory cash and liquid asset reserve requirements.

Statutory capital base within the banking sector was boosted by 16.5 percent bringing the total to $73 billion at review date and auguring well for the stock of core capital and the general adequacy of capital buffer within the sector. Deposit base within the banking sector grew (10.4 percent), but at a slower pace compared with growth by 14 percent in 2008. Deposit liabilities of $469 billion accounted for 62.6 percent of total assets (64.3 percent in 2008).

Jamaica's regulatory and supervisory oversight continued to be strengthened following the 1996 financial sector crisis. Mechanisms for allocating prudent levels of loan loss provisioning, establishing local benchmark for adequacy of risk capital above internationally accepted levels, providing guidance on the establishment of robust internal controls and risk management framework, were among the many initiatives undertaken which allowed the banking sector to enter this period of global crisis in a stronger position relative to the mid 1990s.

POLICYHOLDERS AS AT MARCH 31, 2009

Commercial Banks (7)	Bank of Nova Scotia Jamaica Limited Citibank N.A. FirstCaribbean International Bank (Jamaica) Limited First Global Bank Limited National Commercial Bank Jamaica Limited PanCaribbeanBank Limited RBTT Bank Jamaica Limited
FIA Licensees (3)	Capital & Credit Merchant Bank Limited MF&G Trust & Finance Limited Scotia DBG Merchant Bank Limited
Building Societies (4)	FirstCaribbean International Building Society Jamaica National Building Society Scotia Jamaica Building Society Victoria Mutual Building Society

APPENDIX 1

PRUDENTIAL INDICATORS OF COMMERCIAL BANKS, LICENSEES UNDER THE FINANCIAL INSTITUTIONS ACT (FIA) AND BUILDING SOCIETIES PUBLISHED PURSUANT TO SECTION 16 (6) OF THE BANKING ACT AND THE FIA AND REGULATION 49 OF THE BANK OF JAMAICA (BUILDING SOCIETIES) REGULATIONS, 1995
31-Mar-09

	COMMERCIAL BANKS			FIA LICENSEES			BUILDING SOCIETIES			SYSTEM TOTAL (aggregation of all 3 sectors)		
	Mar-09[b]	Mar-08	Mar-07	Mar-09[b]	Mar-08	Mar-07	Mar-09	Mar-08	Mar-07	Mar-09	Mar-08	Mar-07
Number of institutions in operation	7	6	6	3	4	4	4	4	4	14	14	14
[1] Total Assets (incl. contingent accounts)	582,515	506,961	452,424	35,292	41,255	47,399	146,725	127,157	108,741	764,532	675,373	608,564
[2] Total Assets (excl. contingent accounts)	568,736	492,939	436,476	34,596	40,522	46,575	146,637	127,086	108,673	749,969	660,547	591,724
Cash & Bank Balances	113,577	97,241	75,980	1,952	3,406	2,118	24,004	20,598	16,129	139,533	121,245	94,227
Investments [incl. Securities Purch.] (net of prov.)	154,496	165,572	161,247	20,275	21,123	28,240	35,575	34,959	38,820	210,346	221,654	228,307
Total Loans (gross)	259,147	194,847	164,106	10,572	14,396	13,406	79,651	63,241	47,162	349,370	272,484	224,674
Total Loans (net of IFRS prov.) [a]	255,162	191,755	161,127	10,439	14,320	13,350	78,901	62,612	46,539	344,502	268,687	221,016
Total Deposits	353,881	321,589	281,935	14,771	16,984	14,816	100,714	86,536	75,992	469,366	425,109	372,743
Borrowings (incl. repos)	122,107	88,177	78,205	14,197	14,412	22,829	20,979	15,901	11,276	157,283	118,490	112,310
Non-Performing Loans [NPL] (3 mths & >)	6,976	4,142	3,447	590	551	515	3,105	1,645	1,554	10,671	6,338	5,516
Provision for Loan Losses	7,593	5,321	4,554	384	220	181	1,445	1,132	1,018	9,422	6,673	5,753
[3] Capital Base	51,970	43,263	39,099	4,408	5,445	5,219	16,842	14,149	12,605	73,220	62,857	56,923
Contingent Accts [Accept., LC's & Guarantees]	13,779	14,022	15,948	696	733	824	88	71	68	14,563	14,826	16,840
Funds Under Management	253	0	0	0	235	201	0	0	0	253	235	201
Repos on behalf of or for on-trading to clients	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	%											
Rate of Asset 1 Growth	14.9%	12.1%	14.5%	-14.5%	-13.0%	0.3%	15.4%	16.9%	17.5%	13.2%	11.0%	13.8%
Rate of Deposit Growth	10.0%	14.1%	10.4%	-13.0%	14.6%	13.6%	16.4%	13.9%	15.0%	10.4%	14.0%	11.5%
Rate of Loans Growth (gross)	33.0%	18.7%	24.4%	-26.6%	7.4%	49.4%	25.9%	34.1%	23.1%	28.2%	21.3%	25.3%
Rate of Capital Base Growth	20.1%	10.6%	10.3%	-19.0%	4.3%	0.3%	19.0%	12.2%	13.4%	16.5%	10.4%	10.0%
Rate of NPL (3 Mths &>) Growth	68.4%	20.2%	11.2%	7.1%	7.0%	202.9%	88.8%	5.9%	17.5%	68.4%	14.9%	20.1%
Investments :Total Assets [1]	26.5%	32.7%	35.6%	57.4%	51.2%	59.6%	24.2%	27.5%	35.7%	27.5%	32.8%	37.5%
Loans (net of prov.):Total Assets [1]	43.8%	37.8%	35.6%	29.6%	34.7%	28.2%	53.8%	49.2%	42.8%	45.1%	39.8%	36.3%
Fixed Assets:Total Assets [1]	1.6%	1.7%	1.8%	0.9%	1.0%	0.8%	1.7%	1.6%	1.8%	1.6%	1.6%	1.7%
Loans (gross) : Deposits	73.2%	60.6%	58.2%	71.6%	84.8%	90.5%	79.1%	73.1%	62.1%	74.4%	64.1%	60.3%
Liquidity												
Average Domestic Currency Cash Reserve: Average Prescribed Liabilities [4]	14.0%	9.0%	9.0%	14.0%	9.0%	9.0%	1.0%	1.0%	1.0%	10.6%	7.1%	7.1%
Average Domestic Currency Liquid Assets: Average Domestic Prescribed Liabilities [4]	38.7%	33.4%	36.7%	27.5%	29.7%	38.2%	11.6%	11.7%	21.9%	31.5%	28.1%	33.1%
Asset Quality												
Prov. For Loan Losses:Total Loans (gross)	2.9%	2.7%	2.8%	3.6%	1.5%	1.4%	1.8%	1.8%	2.2%	2.7%	2.4%	2.6%
Prov. For Loan Losses: NPL (3 Mths &>)	108.8%	128.5%	132.1%	65.1%	39.9%	35.1%	46.5%	68.8%	65.5%	88.3%	105.3%	104.3%
NPL (3 Mths &>):Total Loans (gross)	2.7%	2.1%	2.1%	5.6%	3.8%	3.8%	3.9%	2.6%	3.3%	3.0%	2.3%	2.5%
NPL (3 Mths &>): (Total Assets [1] + Provision for loan losses)	1.2%	0.8%	0.8%	1.7%	1.3%	1.1%	2.1%	1.3%	1.4%	1.4%	0.9%	0.9%

Capital Adequacy												
Deposits + Borrowings: Capital (:1)	9.2	9.5	9.3	6.7	5.8	7.3	7.3	7.3	7.0	8.6	8.7	8.6
Capital Base:Total Assets [1]	8.9%	8.5%	8.6%	12.5%	13.2%	11.0%	11.5%	11.1%	11.6%	9.6%	9.3%	9.4%
[5] Capital Adequacy Ratio [CAR]	14.5%	15.6%	15.5%	23.8%	26.0%	21.5%	21.9%	19.6%	20.3%	16.1%	17.0%	16.8%
NPL (3 mths &>):Capital Base+Prov for loan losses	11.7%	8.5%	7.9%	12.3%	9.7%	9.5%	17.0%	10.8%	11.4%	12.9%	9.1%	8.8%
Profitability												
[6] Pre - tax Profit Margin (for the Calendar Quarter)	28.7%	31.8%	26.8%	16.3%	20.2%	22.5%	9.3%	61.1%	16.1%	24.8%	35.6%	24.9%
Return on Average Assets (for the Calendar Quarter)	1.1%	1.1%	1.0%	0.5%	0.5%	0.6%	0.3%	1.6%	0.5%	0.9%	1.2%	0.8%
[7] Income Assets/Expense Liabilities (at 31 March)	100.8%	103.2%	102.7%	105.9%	116.4%	111.5%	109.0%	109.7%	108.3%	102.6%	105.2%	104.4%

Notes:

n/a not applicable

- Based on unaudited data submitted to BOJ by supervised institutions up to 14 May 2009. Prior years indicators may have revisions arising from amendments.

[a] - The composition of "Provision for Loan Losses" has been segregated into two (2) distinct components being:
i) provision for losses computed in accordance with IFRS; and
ii) any incremental provisioning necessary under prudential loss provisioning requirements (treated with as an appropriation from net profits).
Consequently, "Total Loans (net of prov.)" - represents gross loans net of IFRS loan loss provisions per (i) above

[b] - The Minister of Finance approved the granting of a commercial banking license to PanCaribbeanBank Limited (formerly Pan Caribbean Merchant Bank Limited), with effect from 23 June 2008. Consequently, the merchant banking license previously issued to Pan Caribbean Merchant Bank Limited under the Financial Institutions Act was surrendered.

[1] Total Assets and Liabilities reflected net of Provision for Losses and include Contingent Accounts (Customer Liabilities for Acceptances, Guarantees and Letters of Credit).
In keeping with IFRS, Total Assets and Liabilities were redefined to include Contingent Accounts.
[2] Total Assets net of Provision for Losses and Contingent Accounts (Customer Liabilities for Acceptances, Guarantees and Letters of Credit).
[3] Capital Base - Banks & FIA Licensees: (Ordinary Shares+Qualifying Preference Shares+Reserve Fund+Retained Earnings Reserve Fund+Share Premium) less impairment by net losses of individual institution.
- Building Societies: (Permanent Capital Fund+Deferred Shares+Capital Shares+Reserve Fund+Retained Earnings Reserve Fund) less impairment by net losses of individual society.
[4] Prescribed Liabilities include:
(i) deposit liabilities, (ii) reservable borrowings and interest accrued and payable on (i) & (ii).
[5] Capital Adequacy Ratio (CAR): Qualifying Capital (Tier 1 + Tier 2 capital items less prescribed deductions) in relation to Risk Weighted Assets and Foreign Exchange Exposure.
[6] Data includes extraordinary income/expenditure and adjustments for prior period.
[7] Income Assets comprise FC Cash Reserves, Placements, Investments, Repo Assets and Loans less Non-Performing Loans (3 months & over).
Expense Liabilities comprise Deposits and Borrowings including Repo Liabilities (from BOJ, Banks, OFI etc).

Statutory Reserve Requirements :

	COMMERCIAL BANKS			FIA LICENSEES			BUILDING SOCIETIES**		
	Mar-09	Mar-08	Mar-07	Mar-09	Mar-08	Mar-07	Mar-09	Mar-08	Mar-07
Required Cash Reserve Ratio	14.0%	9.0%	9.0%	14.0%	9.0%	9.0%	1% / 14%	1% / 9%	1% / 9%
RequiredLiquid Assets Ratio (incl Cash Reserve)	28.0%	23.0%	23.0%	28.0%	23.0%	23.0%	5% / 28%	5% / 23%	5% / 23%

Effective 6 February 2009, the domestic currency cash reserve and liquid assets ratios for supervised licensees were further increased to 14% and 28% respectively.
Effective 2 January 2009, the domestic currency cash reserve and liquid assets ratios for supervised licensees were further increased to 13% and 27% respectively and the foreign currency cash reserve and liquid assets ratios were increased to 11% and 25% respectively.
Effective 3 December 2008, the domestic currency cash reserve and liquid assets ratios for supervised licensees were increased to 11% and 25% respectively.

** The requirements are differentially applied to societies not meeting the prescribed threshold of residential mortgage lending in relation to savings funds.
Societies that meet the prescribed 'qualifying assets' threshold attract the lower reserve requirements indicated above. Societies which do not, are requested to meet the requirements which apply to banks and FIA licensees.

Source: Financial Institutions Supervisory Division
Bank of Jamaica

APPENDIX 2

Global Financial Crisis and Deposit Insurers' Response

Precipitated by the major fall out in the US sub-prime mortgage market which created losses for financial groups and gave rise to a crisis of confidence among institutions, the international financial markets have been in turmoil. The crisis in the financial sector has filtered through to the real sector with severe impact on output, employment and demand. The challenges in the USA triggered problems in other major economies such as Europe and Asia, and international financial markets, resulting in a global economic recession. There is also an associated high level of uncertainty regarding the appropriate mix of corrective policy measures and the likely duration of the crisis. Emerging market economies, having been increasingly integrated into the international markets/world economy, have not been immune, though being impacted more slowly and maybe with less intensity. Governments intervened through various monetary policy and regulatory actions – liquidity injection; interest rate adjustments; taking an equity stake in troubled institutions and offering varying levels of guarantees to stimulate/encourage lending.

Notable impact on the Jamaican economy became apparent during the July-September 2008 quarter, firstly through the financial system as depressed bond prices/asset values and the demands of margin calls placed severe pressure on the foreign exchange market and monetary policy actions. Problems in the financial sector served to exacerbate underlying vulnerabilities in the real sector, stemming from the weakened demand from major trading partners; heightened cost of debt servicing and limited manoeuvre room, given the fiscal constraints.

Deposit Insurance practitioners have long recognized the importance of confidence to the orderly functioning of any financial system; and the present global financial crisis has underscored this. Critical to engendering confidence is the credibility of the regulatory and protection infrastructure - mechanisms and agencies charged with financial system soundness and stability. Users of the financial services need to be assured that the agencies have the authority and capability, and will act to regulate the institutions effectively. There must also be the assurance that the authorities will address in a timely and efficient manner, any crisis that might develop, thereby averting destabilization in the system.

In this regard, responses from the international deposit insurance community have been driven primarily by the need to maintain confidence in the financial system in order to prevent precipitous runs on institutions, which could destabilize the system. The actions taken were responsive in instances and in others preventative, with the nature and scope of the different measures dictated by the country-specific conditions – the extent to which the jurisdiction was directly impacted or considered vulnerable to the crisis. Measures implemented ranged from the introduction of blanket guarantees to the establishment of deposit insurance schemes.

Some countries which had no established deposit insurance scheme hastened the introduction of a scheme, for example Australia and New Zealand. In addition to temporarily increasing its coverage limit on its standard deposit products, the FDIC (USA) offered full coverage of some categories of unsecured debt, newly issued on or before June 30, 2009. Full coverage was extended to non-interest bearing deposit transaction accounts and available through to December 31, 2009 at institutions participating in FDIC's Temporary Liquidity Guarantee Program. A few Asian countries announced within days of each other that they would provide blanket guarantee to depositors, with such guarantees aimed at bolstering confidence in the local financial markets and ensuring that banks continue to operate normally.

The local financial system, while not unaffected by the international developments, is not perceived to be presently in crisis. The most current assessment by the regulatory authorities confirm that while there are some areas of exposure, the system on a whole is generally resilient, and the banking system in particular remains relatively sound and adequately capitalized. The response from the regulatory machinery, inclusive of JDIC is therefore guided by recent developments and international response, and will be utilizing the "crisis-free" conditions to bolster system capabilities and institute measured responses. Appropriate crisis management coordination plans should be established, with clear rules and responsibilities for each of the Safety Net Partners – MOFPS, BOJ, FSC and JDIC.

Specific to the coverage limit in the Jamaican deposit insurance scheme, the relevant assessment indicates some level of erosion in the level of coverage adjusted for inflation and GDP growth. However, the analysis further suggests that based on the international guidance and the absence of a crisis in the local financial system, there is currently no strong basis for adjustment ahead of the recommended schedule for review. Additionally, the conditions in the domestic economy have not warranted any change in the structure of the Jamaican deposit insurance scheme.

Summary of Selected Deposit Insurers' Response to the Global Financial Crisis

	Date of Implementation	Deposit Insurers' Response	Concerns / Comments
Australia	12-Oct-08	Introduction of New Scheme and Blanket Guarantee	-
Denmark	6-Oct-08	Introduction of blanket guarantee	The blanket guarantee was offered as part of a deal with banks to set up a 35 billion Danish crown liquidation fund.
European Commission	7-Oct-08	Increase coverage from €20,000 to €50,000 and then to €100,000 by the end of 2011	With the coverage change also came the abandonment of co-insurance and a reduction in the payout period. Payout period reduced from 3 months (extendable to 9 months) to 3 days
Hong Kong	14-Oct-08	Introduction of blanket guarantee	Blanket guarantee available until 2010. This was after offering coverage of up to HK100,000 (US$13,000). As well, the establishment of a contingent bank capital facility for the purpose of making available capital if this is necessary.
Indonesia	13-Oct-08	Increase in coverage from RP 100 million (US$10,000) to RP 2 billion (US$200,000).	The move aimed to prevent panic or sudden irrational bank runs. There was an expressed need for more effective oversight of institutions in order to contain moral hazard. Need to promote good governance and ensure sound regulatory and supervisory framework.
Ireland	20-Sep-08	Introduction of blanket guarantee	The blanket guarantee was offered at the 6 largest domestic owned banks and some foreign banks. The guarantee is set to terminate September 2010.
Kazakhstan	16-Oct-08	Increased coverage from KZT 700,000 to KZT 5mn (US$5,800 to US$41,700).	Aim to increase the trust of local population in Kazakh institutions rocked by the global financial crisis. Kazakh banks still face debt repayments abroad and struggle with increasingly deteriorating portfolios on their books. The previous coverage limit increase resulted in a 40% year on year growth in deposits.
Malaysia	16-Oct-08	Introduction of blanket guarantee	Lasting until 2010.
New Zealand	12-Oct-08	Introduction of New Scheme and blanket guarantee	-
Singapore	16-Oct-08	Introduction of blanket guarantee	Lasting until 2010.
Sweden	7-Oct-08	Increase in coverage from 250,000 Swedish crowns to 500,000 Swedish crowns	Increase applicable to bank deposits
Taiwan	6-Oct-08	Introduction of blanket guarantee	Blanket guarantee offered after first moving coverage from TWD 1.5 million to TWD 3 million. Concerns over the banking sector led to capital flight from smaller banks to state-owned banks, hindering government efforts to stabilize the sector.
Thailand	11-Aug-08	Introduction of New Scheme and blanket guarantee	Introduced blanket guarantee with the formation of the Deposit Insurance Agency. A temporary move to reassure depositors during the early days of the new agency. There is to be a gradual decrease over the next five years to THB100 mn (US$2.9 mn) then THB 50 mn (US$1.5 mn) then THB 20 mn (US$586,000) until the final THB 1 mn (US$29,000). During this time the agency will be working with the Bank of Thailand and the Ministry of Finance to have room to adjust if necessary.
USA	3-Oct-08	Increase coverage from US$100,000 to US$250,000 lasting until December 31, 2009	On January 1, 2010, the standard coverage limit will return to US$100,000 for all deposits except IRAs and Certain Other Retirement Accounts, which will continue to be insured at US$250,000. Unlimited coverage is available to December 2009 for all Non-interest bearing transaction accounts at institutions participating in FDIC's Temporary Liquidity Guarantee Program.
United Kingdom	7-Oct-08	Increase coverage from £35,000 to £50,000	Coverage increase is applicable to savings deposits

Summary of Paper 'Global Financial Crisis and Deposit Insurers' Response'
Prepared by the Jamaica Deposit Insurance Corporation, February 2009

APPENDIX 3

Core Principles for Effective Deposit Insurance Systems

Executive Summary

Introduction and Objectives

1. The Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience (April 2008) pointed out that events during the recent international financial turmoil illustrate the importance of effective depositor compensation arrangements. The report stressed the need for authorities to agree on an international set of principles for effective deposit insurance systems.

2. In July 2008 the Basel Committee on Banking Supervision (BCBS) and the International Association of Deposit Insurers (IADI) decided to collaborate to develop an internationally agreed set of Core Principles using the IADI Core Principles for Effective Deposit Insurance Systems as a basis. A joint working group was established to develop Core Principles to be submitted to the BCBS and IADI for their respective review and approval. This joint working group is comprised of representatives from the BCBS's Crossborder Bank Resolution Group (CBRG) and IADI's Guidance Group. The following Core Principles for Effective Deposit Insurance Systems represent the work of the joint CBRGIADI working group in developing Core Principles.

Core Principles and Preconditions

3. Policymakers have choices regarding how they can protect depositors and contribute to financial system stability. Explicit deposit insurance has become the preferred choice compared to other alternatives such as reliance on implicit protection. A deposit insurance system clarifies the authority's obligations to depositors (or if it is a private system, its members), limits the scope for discretionary decisions, can promote public confidence, helps to contain the costs of resolving failed banks and can provide countries with an orderly process for dealing with bank failures and a mechanism for banks to fund the cost of failures.

4. The introduction or the reform of a deposit insurance system can be more successful when a country's banking system is healthy and its institutional environment is sound. In order to be credible, and to avoid distortions that may result in moral hazard, a deposit insurance system needs to be part of a well-constructed financial system safety net, properly designed and well implemented. A financial safety net usually includes prudential regulation and supervision, a lender of last resort and deposit insurance. The distribution of powers and responsibilities between the financial safety-net participants is a matter of public policy choice and individual country circumstances.

5. A deposit insurance system is not intended to deal, by itself, with systemically significant bank failures or a "systemic crisis". In such cases all financial system safety-net participants must work together effectively. In addition, the costs of dealing with systemic failures should not be borne solely by the deposit insurance system but dealt with through other means such as by the state.

6. The Core Principles are reflective of, and designed to be adaptable to, a broad range of country circumstances, settings and structures. The Core Principles are intended as a voluntary framework for effective deposit insurance practices; national authorities are free to put in place supplementary measures that they deem necessary to achieve effective deposit insurance in their jurisdictions. The Core Principles are not designed to cover all the needs and circumstances of every banking system. Instead, specific country circumstances should be more appropriately considered in the context of existing laws and powers to fulfill the public policy objectives and mandate of the deposit insurance system.

7. An effective deposit insurance system needs to be based on a number of external elements or preconditions. These preconditions, although mostly outside the direct jurisdiction of the deposit insurance system, have a direct impact on the system. These preconditions include:

- ***an ongoing assessment of the economy and banking system;***
- ***sound governance of agencies comprising the financial system safety net;***
- ***strong prudential regulation and supervision; and***
- ***a well developed legal framework and accounting and disclosure regime.***

8. The 18 Core Principles are broadly categorised into ten groups: Setting objectives (principles 1 to 2); Mandates and powers (principles 3 to 4); Governance (principle 5); Relationships with other safety-net participants and cross-border issues (principles 6 to 7); Membership and coverage (principles 8 to 10); Funding (principle 11); Public awareness (principle 12); Selected legal issues (principles 13 to 14); Failure resolution (principles 15 to 16); and Reimbursing depositors and recoveries (principles 17 to 18).

Setting Objectives

Principle 1 – Public policy objectives: The first step in adopting a deposit insurance system or reforming an existing system is to specify appropriate public policy objectives that it is expected to achieve. These objectives should be formally specified and well integrated into the design of the deposit insurance system. The principal objectives for deposit insurance systems are to contribute to the stability of the financial system and protect depositors.

Principle 2 – Mitigating moral hazard: Moral hazard should be mitigated by ensuring that the deposit insurance system contains appropriate design features and through other elements of the financial system safety net (see Preconditions paragraph 16).

Mandates and Powers

Principle 3 – Mandate: It is critical that the mandate selected for a deposit insurer be clear and formally specified and that there be consistency between the stated public policy objectives and the powers and responsibilities given to the deposit insurer.

Principle 4 – Powers: A deposit insurer should have all powers necessary to fulfill its mandate and these powers should be formally specified. All deposit insurers require the power to finance reimbursements, enter into contracts, set internal operating budgets and procedures, and access timely and accurate information to ensure that they can meet their obligations to depositors promptly.

Governance

Principle 5 – Governance: The deposit insurer should be operationally independent, transparent, accountable and insulated from undue political and industry influence.

Relationships with other Safety-Net Participants and Cross-Border Issues

Principle 6 – Relationships with other safety-net participants: A framework should be in place for the close coordination and information sharing, on a routine basis as well as in relation to particular banks, among the deposit insurer and other financial system safety-net participants. Such information should be accurate and timely (subject to confidentiality when required). Information-sharing and coordination arrangements should be formalised.

Principle 7 – Cross-border issues: Provided confidentiality is ensured, all relevant information should be exchanged between deposit insurers in different jurisdictions and possibly between deposit insurers and other foreign safety-net participants when appropriate. In circumstances where more than one deposit insurer will be responsible for coverage, it is important to determine which deposit insurer or insurers will be responsible for the reimbursement process. The deposit insurance already provided by the home country system should be recognised in the determination of levies and premiums.

Membership and Coverage

Principle 8 – Compulsory membership: Membership in the deposit insurance system should be compulsory for all financial institutions accepting deposits from those deemed most in need of protection (eg retail and small business depositors) to avoid adverse selection.

Principle 9 – Coverage: Policymakers should define clearly in law, prudential regulations or by-laws what an insurable deposit is. The level of coverage should be limited but credible and be capable of being quickly determined. It should cover adequately the large majority of depositors to meet the public policy objectives of the system and be internally consistent with other deposit insurance system design features.

Principle 10 – Transitioning from a blanket guarantee to a limited coverage deposit insurance system: When a country decides to transition from a blanket guarantee to a limited coverage deposit insurance system, or to change a given blanket guarantee, the transition should be as rapid as a country's circumstances permit. Blanket guarantees can have a number of adverse effects if retained too long, notably moral hazard. Policymakers should pay particular attention to public attitudes and expectations during the transition period.

Funding

Principle 11 – Funding: A deposit insurance system should have available all funding mechanisms necessary to ensure the prompt reimbursement of depositors' claims including a means of obtaining supplementary back-up funding for liquidity purposes when required. Primary responsibility for paying the cost of deposit insurance should be borne by banks since they and their clients directly benefit from having an effective deposit insurance system. For deposit insurance systems (whether ex-ante, ex-post or hybrid) utilising risk-adjusted differential premium systems, the criteria used in the risk-adjusted differential premium system should be transparent to all participants. As well, all necessary resources should be in place to administer the risk-adjusted differential premium system appropriately.

Public Awareness

Principle 12 – Public awareness: In order for a deposit insurance system to be effective it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.

APPENDIX 3

Selected Legal Issues

Principle 13 – Legal protection: The deposit insurer and individuals working for the deposit insurer should be protected against lawsuits for their decisions and actions taken in "good faith" while discharging their mandates. However, individuals must be required to follow appropriate conflict-of-interest rules and codes of conduct to ensure they remain accountable. Legal protection should be defined in legislation and administrative procedures, and under appropriate circumstances, cover legal costs for those indemnified.

Principle 14 – Dealing with parties at fault in a bank failure: A deposit insurer, or other relevant authority, should be provided with the power to seek legal redress against those parties at fault in a bank failure.

Failure Resolution

Principle 15 – Early detection and timely intervention and resolution: The deposit insurer should be part of a framework within the financial system safety net that provides for the early detection and timely intervention and resolution of troubled banks. The determination and recognition of when a bank is or is expected to be in serious financial difficulty should be made early and on the basis of well defined criteria by safety-net participants with the operational independence and power to act.

Principle 16 – Effective resolution processes: Effective failure-resolution processes should: facilitate the ability of the deposit insurer to meet its obligations including reimbursement of depositors promptly and accurately and on an equitable basis; minimise resolution costs and disruption of markets; maximise recoveries on assets; and, reinforce discipline through legal actions in cases of negligence or other wrongdoings. In addition, the deposit insurer or other relevant financial system safety-net participant should have the authority to establish a flexible mechanism to help preserve critical banking functions by facilitating the acquisition by an appropriate body of the assets and the assumption of the liabilities of a failed bank (eg providing depositors with continuous access to their funds and maintaining clearing and settlement activities).

Reimbursing Depositors and Recoveries

Principle 17 – Reimbursing depositors: The deposit insurance system should give depositors prompt access to their insured funds. Therefore, the deposit insurer should be notified or informed sufficiently in advance of the conditions under which a reimbursement may be required and be provided with access to depositor information in advance. Depositors should have a legal right to reimbursement up to the coverage limit and should know when and under what conditions the deposit insurer will start the payment process, the time frame over which payments will take place, whether any advance or interim payments will be made as well as the applicable coverage limits.

Principle 18 – Recoveries: The deposit insurer should share in the proceeds of recoveries from the estate of the failed bank. The management of the assets of the failed bank and the recovery process (by the deposit insurer or other party carrying out this role) should be guided by commercial considerations and their economic merits.

Source: The International Association of Deposit Insurers website - www.iadi.org
March 2009

Senior Executive Compensation

Basic Salary Range	**-**		**$3,341,907- $7,387,048**
Allowances:			
Chief Executive Officer	-	Residence (Security)	$54,000
	-	Motor Vehicle	$1,950,753
	-	Medical & Group Life	$225,828
Executive Directors	-	Motor Vehicle	$796,500
	-	Medical & Group Life	$204,885 - $225,828

Notes:

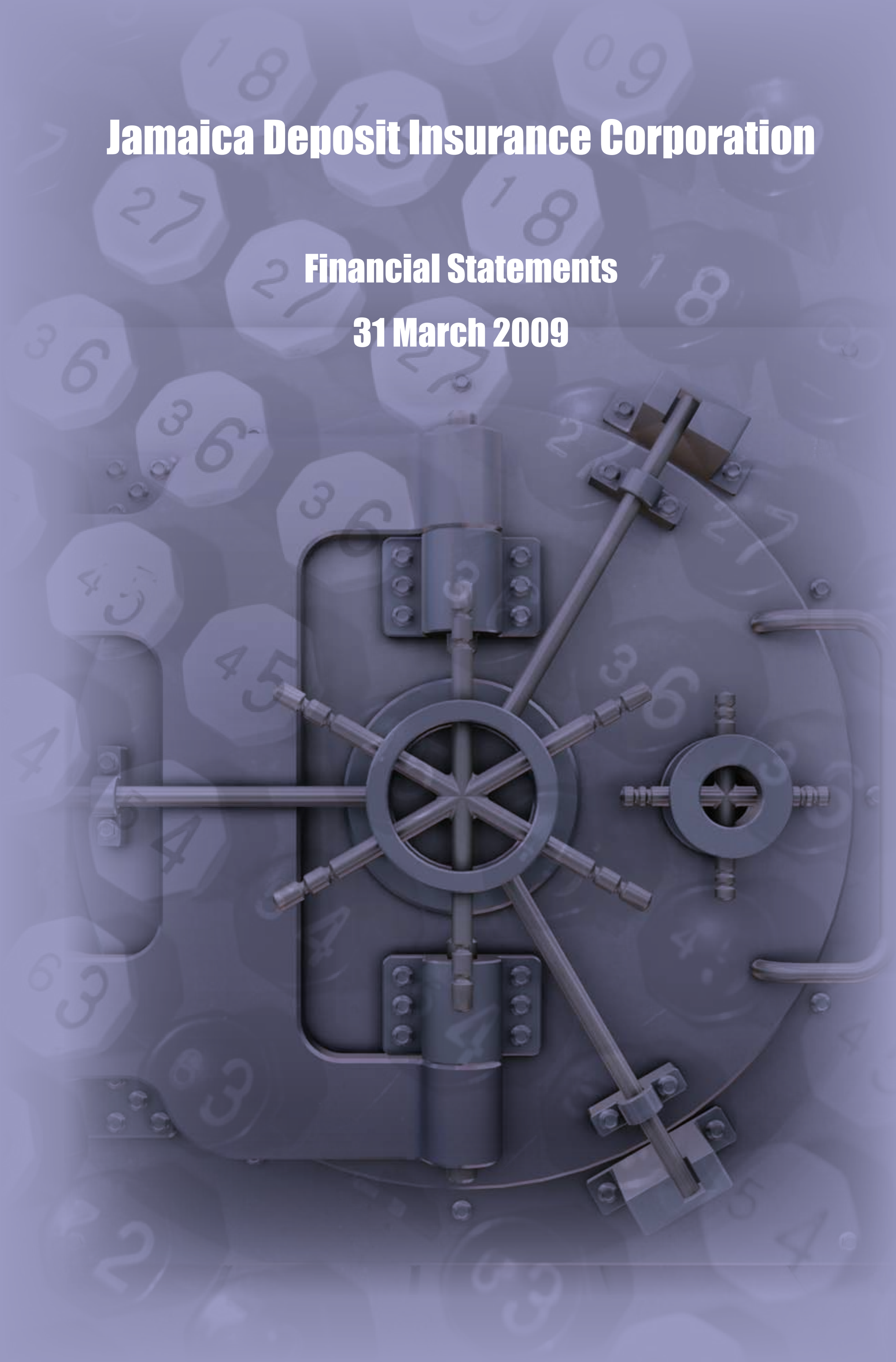
i. The Senior Executive group comprises the Chief Executive Officer and four Executive Directors, including the Legal Counsel/Corporate Secretary. Employment is on a contractual basis and members are entitled to gratuity payments of twenty five percent of annual basic salary.

ii. The CEO is entitled to a fully maintained motor vehicle or an allowance in lieu of a motor car.

Jamaica Deposit Insurance Corporation

Financial Statements

31 March 2009



Jamaica Deposit Insurance Corporation
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31 March 2009

PRICEWATERHOUSECOOPERS

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Box 372
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Facsimile (876) 922 7581

Independent Auditors' Report

To the Members of
Jamaica Deposit Insurance Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Jamaica Deposit Insurance Corporation, set out on pages 45 to 66, which comprise the balance sheet as of 31 March 2009 and the statement of operations, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Members of Jamaica Deposit Insurance Corporation
Independent Auditors' Report
Page 2

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as of 31 March 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

24 June 2009
Kingston, Jamaica

Jamaica Deposit Insurance Corporation
Statement of Operations
Year ended 31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

	2009 $'000	2008 $'000
Revenue		
Insurance premiums	553,444	484,120
Interest earned	693,963	477,478
Foreign exchange gain	132,632	3,273
	1,380,039	964,871
Expenses		
Administration expenses (Note 6)	171,341	148,975
SURPLUS FROM OPERATIONS	1,208,698	815,896

Jamaica Deposit Insurance Corporation

Balance Sheet

31 March 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
ASSETS			
Investment securities	8	5,124,721	4,019,144
Cash at bank		7,502	2,025
Receivables	9	277,124	160,947
Property, plant and equipment	10	101,593	62,167
		5,510,940	4,244,283
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Unearned premium income	11	352,860	301,401
Payables		18,706	20,128
		371,566	321,529
Shareholder's Equity			
Share capital	12	1,000	1,000
Capital reserves	13	48,168	15,006
Fair value reserves		(39,286)	(14,046)
Deposit insurance fund	14	5,129,492	3,920,794
		5,139,374	3,922,754
		5,510,940	4,244,283

Approved by the Board of Directors on 24 June 2009 and signed on its behalf by:

Roald Henriques	Chairman	Antoinette McKain	Director

Jamaica Deposit Insurance Corporation

Statement of Changes in Equity

Year ended 31 March 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Capital Reserves	Fair Value Reserves	Deposit Insurance Fund	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 31 March 2007	1,000	15,006	9,832	3,104,898	3,130,736
Unrealised gain on available-for-sale investments	-	-	(23,878)	-	(23,878)
Net surplus	-	-	-	815,896	815,896
Total recognised income for 2008	-	-	-	815,896	815,896
Balance at 31 March 2008	1,000	15,006	(14,046)	3,920,794	3,922,754
Revaluation of property, plant and equipment	-	33,162	-	-	33,162
Unrealised loss on available-for-sale investments	-	-	(25,240)	-	(25,240)
Net surplus	-	-	-	1,208,698	1,208,698
Total recognised income for 2009	-	-	-	1,208,698	1,208,698
Balance at 31 March 2009	1,000	48,168	(39,286)	5,129,492	5,139,374

Jamaica Deposit Insurance Corporation

Statement of Cash Flows

Year ended 31 March 2009

(expressed in Jamaican dollars unless otherwise indicated)

	2009 $'000	2008 $'000
Cash Flows from Operating Activities		
Surplus from operations	1,208,698	815,896
Adjustments for:		
Depreciation	3,420	3,963
Interest income	(693,963)	(477,478)
Unearned premium income	51,459	32,588
Foreign exchange gains	(132,632)	(3,273)
	436,982	371,696
Changes in non-cash working capital components:		
Other receivables	(116,177)	(63,836)
Payables	(1,422)	2,874
	(117,599)	(60,962)
Cash provided by operating activities	319,383	310,734
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(9,684)	(2,056)
Investment securities	(922,313)	(758,897)
Interest received	617,693	445,384
Cash used in investing activities	(314,304)	(315,569)
Effect of exchange rate changes on cash balances	398	45
Increase/(decrease) in cash balance at end of year	5,477	(4,790)
Cash balance at the beginning of the year	2,025	6,815
CASH BALANCE AT THE END OF THE YEAR	7,502	2,025

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activity

The Jamaica Deposit Insurance Corporation (the Corporation) is incorporated and domiciled in Jamaica. The Corporation was established in accordance with the Deposit Insurance Act, 1998 (the Act) and commenced operations on 31 August 1998. The registered office of the Corporation is located at 30 Grenada Crescent, Kingston 5.

The principal objective of the Corporation is to manage a scheme to provide insurance against the loss of deposits held in insured financial institutions, up to a maximum of $600,000 per depositor, in each right and capacity, in each institution.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objectives, including levying premiums and fees on policyholders and managing a Deposit Insurance Fund. Among other things, it can make enquiries of a policyholder as to the conduct of its affairs and act as receiver, liquidator or judicial manager of any insolvent policyholder, or of its holding company or subscriber, which becomes insolvent.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and other financial assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Interpretations and amendments to published standards effective in the current year

Certain new interpretations and amendments to existing standards have been published that became effective during the current year. The Corporation has assessed the relevance of all such new interpretations and amendments and has put into effect the following IFRSs, which are immediately relevant to its operations.

IAS 39 (Amendment), Financial instruments: recognition and measurement, permits the reclassifications of certain non-derivative financial assets. Financial assets classified as held-for-trading may be reclassified from the fair value through profit or loss category to another category in rare circumstances, or, if the financial asset was eligible for classification as loans and receivables at the date of reclassification. Financial assets classified as available-for-sale may also be reclassified to loans and receivables if, at the date of reclassification, the financial asset would have been eligible for classification as loans and receivables.

In both circumstances, the entity must have the intent and ability to hold the asset for the foreseeable future or to maturity. Fair value at the date of reclassification is treated as amortised cost and any subsequent increases in future cash receipts as a result of increased recoverability will be spread over the life of the assets.

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published standards effective in the current year (continued)

IAS 39 (Amendment), Financial instruments: recognition and measurement (continued)
Management has no financial assets designated at fair value through profit or loss and has determined that its financial assets classified as available-for-sale does not meet the requirements for reclassification. This amendment thereby has no impact on the Corporation's financial statements.

IFRS 7 (Amendment), Financial instruments: disclosures. For financial assets reclassified in accordance with IAS 39 (amendment), an entity is required to disclose details of carrying amounts and fair values until they are derecognised, together with details of the fair value gain or loss that would have been recognised in the profit and loss or equity if the financial asset had not been reclassified.

The Corporation has not utilised the provisions of this amendment as there are no investment securities which are eligible for reclassification in accordance with IAS 39 (amendment).

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the Corporation's accounting periods beginning on or after 1 January 2009 or later periods, but were not effective at balance sheet date, and which the Corporation has not early adopted. The Corporation has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IAS 1 (Revised), 'Presentation of financial statements' and IAS 1 (Amendment), 'Presentation of financial statements (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity and requires 'non-owner changes in shareholders' equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and a statement of comprehensive income). Components of other comprehensive income will not be permitted to be presented in the statement of changes in shareholders' equity.

The amendment to the standard clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39,'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively.

The Corporation will apply IAS 1 (Revised) and IAS 1 (Amendment) from 1 January 2009.

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

The Corporation has concluded that the following interpretations and amendments to existing standards, which are published but not yet effective:

(i) Are relevant to its operations, but will have no material impact on adoption; or

(ii) Are not relevant to its operations and will therefore have no material impact on adoption; or

(iii) Contain inconsequential clarifications that will have no material impact when they come into effect.

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows')
- IAS 19 (Amendment), 'Employee benefits'
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'
- IAS 23 (Amendment), 'Borrowing costs'
- IAS 27 (Amendment), 'Consolidated and separate financial statements'
- IAS 27 (Revised), 'Consolidated and separate financial statements'
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures')
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'
- IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7)
- IAS 32 (Amendment), Financial instruments: Presentation' and IAS 1 (Amendment), 'Presentation of financial instruments' – 'Puttable financial instruments and obligations arising on liquidation'
- IAS 36 (Amendment), 'Impairment of assets'
- IAS 38 (Amendment), 'Intangible assets'
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' Amendment to IAS 39, 'Eligible hedged items'IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16)'
- IAS 41 (Amendment), 'Agriculture'
- IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27 (Amendment), 'Consolidated and separate financial statements' – 'Cost of an investment in a subsidiary, jointly controlled entity or associate'
- IFRS 2 (Amendment), 'Share-based payment'
- IFRS 3 (Revised), 'Business combinations'
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption')
- IFRS 8 'Operating segments'
- IFRIC 11, IFRS 2, 'Group and Treasury Share Transactions'
- IFRIC 12, 'Service concession arrangements'

Jamaica Deposit Insurance Corporation
Notes to the Financial Statements
31 March 2009
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- IFRIC 13, 'Customer loyalty programmes'
- IFRIC 14, IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'

(b) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date monetary liabilities denominated in foreign currency are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange difference on unsettled foreign currency monetary assets are recognised in the statement of operations.

(c) Premium income

Premiums are based on the amount of insurable deposits held by member institutions as at 31 December of the previous year. Insurance premiums are payable initially on the issuance of a policy and subsequently in annual or half yearly installments on or before the policy's anniversary date. Premium income is recognised on the accrual basis.

(d) Receivables

Receivables are carried at original amounts less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest.

(e) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and represent available-for-sale financial assets.

(f) Payables

Payables are stated at historical cost.

Jamaica Deposit Insurance Corporation
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2. Significant Accounting Policies (Continued)

(g) Investments
The Corporation classifies investments into the following categories: held-to-maturity and available-for-sale financial assets. Management determines the appropriate classification of investments at the time of purchase.

(i) Held-to-maturity
Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Where the Corporation sells other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

(ii) Available-for-sale
Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest or exchange rates are classified as available-for-sale. These investments are initially recognised at cost, which includes transaction costs, and are subsequently remeasured at fair value based on amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of operations as gains and losses from investment securities.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the value of expected future cash flows discounted at current market interest rates for similar financial assets.

All purchases and sales of investment securities are recognised at settlement date.

(h) Property, plant and equipment
Land and buildings are shown at fair value based on triennial valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings are credited to capital reserves in shareholder's equity. Decreases that offset previous increases of the same asset are charged against capital reserves directly in equity; all other decreases are charged to the profit and loss account.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the expected useful life of each asset held at the beginning of the year at the following rates:

Building	2.5%
Freehold improvement	2.5%
Furniture and fixtures	10%
Motor vehicles	20%
Computers	20%
Machines and equipment	10%

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements
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2. Significant Accounting Policies (Continued)

(h) Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of operations when the expenditure is incurred.

(i) Interest income

Interest income is recognised in the profit and loss account for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

(j) Provision for losses

The Act requires that the Corporation shall review the size of its Deposit Insurance Fund at least annually having regard to its liabilities and potential liabilities and taking into account the advice of duly qualified professionals and, as necessary, make such recommendation to the Minister as it deems appropriate to enable it to meet its obligations.

In the event that the ultimate insurance losses exceed the Deposit Insurance Fund, the Corporation may, with the approval of the Minister, increase annual premiums and recommend that the Government increase its contributions by way of advances to the Fund.

No claim has been made on the Corporation to date and, based on the most recent review, management does not deem it necessary to make any provision for losses at this time.

(k) Financial instruments

Financial instruments carried on the balance sheet include cash resources and investment securities.

(l) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been extended to reflect the requirements of IFRS 7.

3. Income Taxes and Insurance Legislation

The Corporation is exempt from income tax, transfer tax, stamp duty, recording and registration fees and is also exempt from the provisions of the Insurance Act under Sections 21 and 8, respectively, of the Deposit Insurance Act, 1998.

Jamaica Deposit Insurance Corporation
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4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Corporation's accounting policies, management has made the following critical accounting estimates or judgements which it believes has a significant risk of causing a material misstatement in these financial statements.

Held-to-maturity Investments
The Corporation follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement. In making this judgement, the Corporation evaluates its intention and ability to hold such investments to maturity. If the Corporation fails to keep these investments to maturity other than for specific circumstances – for example, selling other than an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held-to-maturity investments is compromised, the carrying value would increase by $45,546,000 (2008 – $40,334,000) with a corresponding adjustment in the fair value reserve in shareholder's equity.

5. Financial Risk Management

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. The Corporation's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Corporation's financial performance.

The Corporation's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Corporation's objective is to develop and manage a Deposit Insurance Fund by investing in securities of the Government of Jamaica or in such foreign securities as may from time to time be approved by the Board of Directors.

The Corporation achieves capital growth through investing in a selection of debt securities issued by the Government of Jamaica.

Subsection (2) of Section 4 of the Deposit Insurance Act stipulates that "the Corporation shall take all measures as may be necessary to ensure that there is the least possible exposure of the Corporation to loss." In this regard, the Corporation's policy is to manage the resources of the Deposit Insurance Fund in a professional manner, consistent with providing confidence in the Deposit Insurance Scheme. It will seek at all times to achieve its investment objectives with the least possible exposure to risk, without compromising standards of quality, security or control.

(a) Market risk
The Corporation takes on exposure to market risks, which is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Treasury Management and Investment Committees, which carry out extensive research and monitor the price movement of financial assets on the local and international markets.

Jamaica Deposit Insurance Corporation
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5. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) *Currency risk*
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation is exposed to foreign exchange risk arising from currency exposures with respect to the US dollar. Foreign exchange risk arises from foreign currency denominated investment securities and cash balances.

The Corporation manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities, if any, is kept to an acceptable level by monitoring currency positions, while seeking to maximise foreign currency earnings.

The table below summarises the Corporation's exposure to foreign currency exchange rate risk at 31 March:

	JMD	USD	Total
	J$'000	J$'000	J$'000
		2009	
Financial assets			
Investment securities	4,264,669	860,052	5,124,721
Cash at bank	5,375	2,127	7,502
	4,270,044	862,179	5,132,223
		2008	
Financial assets			
Investment securities	3,792,208	226,936	4,019,144
Cash at bank	447	1,578	2,025
	3,792,655	228,514	4,021,169

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements
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5. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity
The change in currency below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. This analysis includes investment securities and cash and bank balances.

	% change in currency rate 2009	Effect on Surplus from Operations 2009 $'000	Effect on Deposit Insurance Fund 2009 $'000	% change in currency rate 2008	Effect on Surplus from Operations 2008 $'000	Effect on Deposit Insurance Fund 2008 $'000
USD	5	43,109	-	5	11,426	-

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements

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5. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk

All of the Corporation's financial assets are interest bearing. There are no financial liabilities.

The Corporation's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Corporation's exposure to interest rate risks. It includes the Corporation's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

	Within 3 Months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
			2009			
Financial assets						
Investment securities	351,440	1,047,949	2,727,005	998,327	-	5,124,721
Cash at bank	7,502	-	-	-	-	7,502
Total interest sensitivity gap	358,942	1,047,949	2,727,005	998,327	-	5,132,223
			2008			
Financial assets						
Investment securities	130,368	860,579	1,918,760	1,109,437	-	4,019,144
Cash at bank	2,025	-	-	-	-	2,025
Total interest sensitivity gap	132,393	860,579	1,918,760	1,109,437	-	4,021,169

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements
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5. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Corporation's Surplus from Operations and Deposit Insurance Fund.

The sensitivity of the Surplus from Operations is the effect of the assumed changes in interest rates on net income based on the floating rate non-trading financial assets. The sensitivity of the Deposit Insurance Fund is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on Surplus from Operations 2009 $'000	Effect on Deposit Insurance Fund 2009 $'000	Effect on Surplus from Operations 2008 $'000	Effect on Deposit Insurance Fund 2008 $'000
Change in basis points:				
- 800 (2008 - - 100)	(235,099)	130,695	(18,886)	9,561
+ 500 (2008 - + 100)	147,500	(72,431)	18,886	(9,561)

In accordance with the Corporation's policy, the Investment Officer monitors the Corporation's overall interest sensitivity on a daily basis, and the Investment Committee, a sub-committee of the Board of Directors, reviews it on a quarterly basis.

(b) Credit risk

The Corporation takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss for the Corporation by failing to discharge their contractual obligations. Credit risk is the most important risk for the Corporation's business. The corporation is primarily exposed to the credit risk associated with holding its entire investment portfolio in Government of Jamaica instruments.

Some secondary level of exposure to credit risk arise from the financial institutions with which the Corporation transacts business and , accordingly, the Corporation deals only with well recognised, high quality institutions in order to mitigate this risk.

The Corporation's maximum exposure to credit risk is represented by the amounts included for investment securities and cash at bank on the balance sheet.

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements

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5. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfil claims and other liabilities incurred.

Liquidity risk management process

The Corporation's liquidity management process, as carried out within the Corporation and monitored by the Finance and Corporate Services Department, includes:

(i) Monitoring future cash flows and liquidity on a regular basis;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and

(iii) Optimising cash returns on investment.

Monitoring and reporting take the form of monthly cash flow measurement and projections.

Financial liabilities cash flows

The Fund has no significant levels of recorded financial liabilities. Assets available to meet all liabilities include cash and bank balances and investment securities. The Corporation is able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from the Government of Jamaica and other financing institutions.

(d) Fair value estimation

The amounts included in the financial statements for cash and bank balances reflect their approximate fair values because of the short-term maturity of these instruments.

The estimated fair values for investment securities have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the ultimate net realisable values or amounts that the Corporation would realise in a current market exchange.

Fair values were estimated as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Investment securities	4,930,104	4,884,558	3,900,797	3,860,463

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6. Expenses by Nature

Total administration expenses:

	2009 $'000	2008 $'000
Auditors' remuneration	777	700
Depreciation	3,420	3,963
Directors' emoluments -		
Fees	272	141
Management remuneration (Note 7)	11,200	8,857
Other	3,829	7,586
Printing and stationery	5,869	4,881
Professional fees	13,642	8,888
Public education	17,738	18,786
Repairs and maintenance	1,725	1,746
Staff costs (Note 7)	107,053	88,733
Utilities	5,816	4,694
	171,341	148,975

7. Staff Costs

	2009 $'000	2008 $'000
Wages and salaries	72,510	61,474
Statutory contributions	7,763	6,951
Others	26,780	20,308
	107,053	88,733
Management remuneration	11,200	8,857
	118,253	97,590

The number of persons employed by the Corporation at the end of the year was 24 (2008 - 26).

Jamaica Deposit Insurance Corporation

Notes to the Financial Statements

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8. Investment Securities

(a) Held-to-maturity

	2009 $'000	2008 $'000
Government of Jamaica	3,215,683	3,277,740
Interest accrued	124,815	77,437
	3,340,498	3,355,177

(b) Available-for-sale

	2009 $'000	2008 $'000
Government of Jamaica	1,714,421	623,057
Interest accrued	69,802	40,910
	1,784,223	663,967
	5,124,721	4,019,144

Remaining Term to Contractual Repricing or Maturity

	2009				
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Carrying Value**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Held-to-maturity:					
Government of Jamaica -					
Treasury bills	31,731	3,668	-	-	35,399
Local registered stocks	11,001	251,242	469,900	59,925	792,068
Debentures	47,000	208,157	1,189,015	901,101	2,345,273
US$ Indexed bonds	18,497	24,445	-	-	42,942
Interest accrued	4,201	18,923	64,390	37,302	124,816
	112,430	506,435	1,723,305	998,328	3,340,498
Available for sale:					
Government of Jamaica -					
Local registered stocks	83,903	19,325	31,831	-	135,059
Debentures	161,078	429,597	201,327	-	792,002
US$ Bonds	-	-	4,204	-	4,204
US$ Indexed bonds	-	43,987	739,169	-	783,156
Interest accrued	12,526	19,416	37,860	-	69,802
	257,507	512,325	1,014,391	-	1,784,223
	369,937	1,018,760	2,737,696	998,328	5,124,721

Jamaica Deposit Insurance Corporation

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8. Investment Securities (Continued)

	Remaining Term to Contractual Repricing or Maturity				
			2008		
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value
	$'000	$'000	$'000	$'000	$'000
Held-to-maturity:					
Government of Jamaica -					
Local registered stocks	57,837	337,469	533,473	170,842	1,099,621
Debentures	70,000	173,936	987,126	912,503	2,143,565
US$ Indexed bonds	-	-	34,554	-	34,554
Interest accrued	3,019	74,418	-	-	77,437
	130,856	585,823	1,555,153	1,083,345	3,355,177
Available for sale:					
Government of Jamaica -					
Local registered stocks	-	-	96,734	-	96,734
Debentures	-	305,580	34,052	-	339,632
US$ Bonds	-	-	28,487	-	28,487
US$ Indexed bonds	-	10,744	147,460	-	158,204
Interest accrued	-	40,910	-	-	40,910
	-	357,234	306,733	-	663,967
	130,856	943,057	1,861,886	1,083,345	4,019,144

Average effective yields by the earlier of the contractual repricing or maturity dates:

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%
Instruments -					
Local registered stock	14.19	16.60	16.25	16.95	16.00
Debentures	14.55	18.23	19.59	19.37	17.94
US$ Bond	-	-	7.72	-	7.72
US$ Indexed bond	-	9.84	8.48	-	9.16

Jamaica Deposit Insurance Corporation

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9. Receivables

	2009 $'000	2008 $'000
Withholding tax	273,329	158,026
Prepayments	220	251
Other	3,575	2,670
	277,124	160,947

10. Property, Plant and Equipment

	Land $'000	Building & Freehold Improvement $'000	Furniture & Fixtures $'000	Work-in-Progress $'000	Computers, Machines & Equipment $'000	Total $'000
Cost -						
At 31 March 2007	14,500	38,308	11,936	-	16,747	81,491
Additions	- -		-	-	2,056	2,056
At 31 March 2008	14,500	38,308	11,936	-	18,803	83,547
Revaluation	10,500	20,000	-	-	-	30,500
Additions	-	3,066	2,302	707	3,608	9,683
At 31 March 2009	25,000	61,374	14,238	707	22,411	123,730
Depreciation -						
31 March 2007	-	1,134	6,063	-	10,220	17,417
Charge for the period	-	958	1,179	-	1,826	3,963
31 March 2007	-	2,092	7,242	-	12,046	21,380
Revaluation	-	(2,663)	-	-	-	(2,663)
Charge for the period	-	965	1,164	-	1,291	3,420
31 March 2008	-	394	8,406	-	13,337	22,137
Net Book Value -						
31 March 2009	25,000	60,980	5,832	707	9,074	101,593
31 March 2008	14,500	36,216	4,694	-	6,757	62,167

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10. Property, Plant and Equipment (Continued)

The Corporation's land and buildings were revalued as at 31 March 2009 on the basis of open market value by Allison, Pitter & Company, independent qualified valuators. The revaluation surplus was credited to capital reserves in shareholders' equity.

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2009 $'000	2008 $'000
Cost	36,591	36,591
Accumulated depreciation	(5,518)	(4,603)
Net book value	31,073	31,988

11. Unearned Premium Income

This represents the portion of insurance premiums received from policyholders relating to the period subsequent to 31 March 2009.

12. Share Capital

Authorised capital of the Corporation of $1,000,000 is fully subscribed by the Government of Jamaica in accordance with Section 9 (1) of the Deposit Insurance Act, 1998.

13. Capital Reserves

Capital reserves comprise unrealised surplus arising from the revaluation of the Corporation's land and buildings.

14. Deposit Insurance Fund

	2009 $'000	2008 $'000
Balance at beginning of year	3,920,794	3,104,898
Surplus from insurance operations	553,444	484,120
Surplus from investment and administrative operations	655,254	331,776
Deposit Insurance Fund at year end	5,129,492	3,920,794

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15. Related Party Transactions

Significant elements of the relationship between the Corporation and the Bank of Jamaica are as follows:

(a) Representation on the Board of Directors;

(b) Under Sections 7(1) and 7(2) of the Deposit Insurance Act, 1998, consultations are entered into between the Bank of Jamaica and the Corporation on certain matters relating to policyholders;

(c) Transactions and balances with the Bank of Jamaica for the period are as follows:

	2009 $'000	2008 $'000
Investment balance	2,013,896	1,326,985
Cash balance	2,765	1,804

(d) Transactions and balances with key management:

	2009 $'000	2008 $'000
Wages and salaries	18,493	14,345
Statutory contributions	1,190	1,063
Other staff benefits	4,133	3,513
	23,816	18,921

Glossary

Banking System — The Deposit-taking financial institutions, comprising commercial banks, merchant banks and building societies.

Deposit — A sum of money, cheque or draft placed with an insured institution (Policyholder/ member institution) for credit to a customer (depositor) account, to be repaid with or without interest, either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment or the person receiving it.

Deposit Insurance Fund (DIF) — A Fund established in advance under a deposit insurance scheme to pay back depositors should their insured financial institution fail. Usually made up of premiums collected from member institutions/ Policyholder.

Deposit Insurance Premium — Amount paid annually by member institutions (Policyholders) as contributions to the DIF.

FIA Licensees — Financial institutions (Merchant Banks) licensed to take deposits under the Bank of Jamaica, Financial Institutions Act.

Fund Ratio/ Fund Target — The level for the deposit insurance fund expressed as a percentage of the total insured deposits (DIF/Total Insured Deposits).

Insurable Deposits — Deposits received or held by a Policyholder from or on behalf of a Depositor other than a deposit from another Policyholder; or a deposit from a statutory body or authority or government company (total deposits less inter-bank and government deposits).

Insured Deposit — That portion of insurable deposits that is covered by insurance under the Deposit Insurance Act, 1998.

Insured Deposit Portfolio Transfer — The process whereby the deposits of a failed Policyholder are transferred to a viable Policyholder for the purpose of paying out depositors.

Intervention Matrix — Memorandum of Understanding between Safety Net Partners setting out the terms and conditions to strategically address problem institutions.

Policyholder(s) — Deposit-taking financial institutions (banks and building societies) insured under the deposit insurance scheme. Also termed member institutions.

Premium Assessment Rate — Rate at which policyholders (members institutions) are charged to determine premiums due to the deposit insurer.

Safety Net Partner(s) — Comprises a country's regulatory authorities and deposit insurer (in the case of Jamaica - the Ministry of Finance & the Public Service, the Bank of Jamaica, the Financial Services Commission and the JDIC).

Abbreviations

BOJ	–	Bank of Jamaica
DIA	–	Deposit Insurance Act
DIS	–	Deposit Insurance Scheme
FIA	–	Financial Institutions Act
FRC	–	Financial Regulatory Council
FSC	–	Financial Services Commission
GOJ	–	Government of Jamaica
IADI	–	International Association of Deposit Insurers
MOFPS	–	Ministry of Finance and the Public Service
NII	–	Net Interest Income
NIR	–	Net International Reserves
OECD	–	Organization for Economic Co-operation and Development

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